STUDY OF THE DAIRY INDUSTRY

HEARINGS

BEFORE THE

SUBCOMMITTEE ON DAIRY PRODUCTS

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

EIGHTY-FOURTH CONGRESS

FIRST SESSION

APRIL 19, 20, 21, 22, 26, 27, 28, 29, AND MAY 6, 1955

Printed for the use of the Committee on Agriculture

Serial M

PART 1

UNITED STATES
GOVERNMENT PRINTING OFFICE
62203 WASHINGTON : 1955

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STUDY OF THE DAIRY INDUSTRY

TUESDAY, APRIL 19, 1955

HOUSE OF REPRESENTATIVES,
COMMODITY SUBCOMMITTEE ON DAIRY PRODUCTS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D. C.

The Commodity Subcommittee met, pursuant to notice, at 10:10 a. m., in room 1310, New House Office Building, Hon. Thomas G. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy, Polk, Johnson, Knutson, Andresen, Williams, and Laird.

Also present: Representatives Poage, Jones of Missouri, Watts, Hagen, Bass, Jennings, Matthews, Dague, and McIntire.

John J. Heimburger, counsel.

Mr. ABERNETHY. The committee will come to order.

As you know, we are gathered here this morning for a series of hearings relative to the dairy industry.

A Federal judge once described the dairy industry as "exquisitely complicated." I think those of you who are familiar with the production of milk and its movement through the channels of commerce to the consumer will agree with the judge's conclusion.

Certainly, those who have not been brought up in close association with dairy farming or have not had a business relationship with the dairy industry find it extremely complicated and in many of its aspects difficult to understand. I am sure that many Members of Congress and a large part of the general public finds itself in this position.

For that reason, it is my purpose to start this hearing by spending the first several days in listening to testimony which will be largely informational in nature and designed to give the committee members, and to put into the record, a background of factual data which I hope will help all of us to understand better some of the many problems and factors affecting the production and distribution of milk and dairy products.

We are aware that there exists in the dairy industry itself a substantial diversion of viewpoints as to a number of specific questions and issues. We will not avoid these questions and those who have or desire to express a position for and against the various issues and proposals will be given a full opportunity to be heard. During the opening phase of the hearing, however, I hope that the testimony will be kept as factual and as noncontroversial as is possible.

The witnesses the committee will hear this week are all officials from the operating branches of the Department of Agriculture. They are appearing as technicians and as experts in their particular field and not as spokesmen on policy for the Secretary's Office. It is our intention

and our agreement with the Department that these technical witnesses will not be asked to make statements regarding matters of policy which must properly come from the Secretary himself. At a later date in the hearing the Secretary or his designated representative will be invited to appear before the subcommittee and discuss fully all matters of policy relevant to this hearing.

Just one more word with respect to the future course of the hearings: The subcommittee expects to sit through Friday of this week and from Tuesday through Friday of next week. Thereafter, it may be necessary to recess the hearings for a week or two in order to make way for other committee activity. The subsequent schedule will be announced just as soon as the wishes of the chairman of the full committee in this respect are made known.

We have already received enough requests from groups and individuals to be heard at this hearing to keep the hearing in session for several months. For obvious reasons it is going to be impossible for the committee to hear every individual who might like to appear. We do want to get every point of view represented. We want to hear as many individuals and organizations as we can and we intend to hear every one who has a new or different proposal or suggestion to make.

However, we will have to place some limit on the extent to which testimony which is merely cumulative in effect can be received. I strongly urge all of you, therefore, who are connected with organizations which might wish to appear to attempt to coordinate your testimony with that of other organizations having the same viewpoint so that we will have an opportunity to hear all points of view but will limit as much as possible testimony which is merely repetitious and accumulative in character.

With that, we are ready to proceed with the first witness.

The first witness is Mr. H. L. Forest, Director of the Dairy Division of the Agricultural Marketing Service.

Mr. Forest, we are glad to have you. I presume that you have a prepared statement. We will be glad to hear it.

STATEMENT OF H. L. FOREST, DIRECTOR, DAIRY DIVISION; ACCOMPANIED BY CLARENCE H. GIRARD, CHIEF, MARKETING DIVISION, OFFICE OF GENERAL COUNSEL; ELLEN A. HENDERSON, MARKETING SPECIALIST, DAIRY DIVISION; AND W. G. SULLIVAN, DAIRY DIVISION, AGRICULTURAL MARKETING SERVICE, DEPARTMENT OF AGRICULTURE

Mr. Forest. Mr. Chairman and members of the committee, we appreciate the opportunity to make this report to the subcommittee with respect to the operation of the Federal milk marketing order program.

I have a statement here which I would like to read in toto, if possible, because I think some of the questions which might be asked, might be answered in this report which I have.

I have with me, also, Mr. Chairman, two members of the Dairy Division who also will help me in answering some of the questions.

Mr. Abernethy. Would you like to have them at the table with you?

Mr. Forest. I think that I would like that.

Mr. ABERNETHY. Will you identify them for the record?

Mr. FOREST. Mrs. Ellen Henderson; Mr. W. G. Sullivan. There is also with me Clarence H. Girard, of the General Counsel's Office.

Mr. ABERNETHY. Will you, before reading your statement, fully identify yourself, your connection with the Department, your experience, and so on?

Mr. FOREST. My name is Herbert L. Forest.

I first became associated with the Department of Agriculture in the Boston milk market administrator's office in the year 1934.

In the year 1935 I came to Washington. I worked in the Dairy Division until 1942 approximately.

Between 1942 and 1945 I worked in the Secretary's Office on war work, mainly having to do with lend-lease and foreign requirements.

In 1945, approximately, I returned to the Dairy Division and became Director of the Dairy Division about a year and a half ago.

On April 16, a new order was issued for an area in South Dakota. The data on that order we did not include in these tables, because we had the tables compiled before the order was made effective, so that in the statement we talk about 56 Federal milk marketing orders now in effect, but actually as of April 16, 1955, we have 57 milk orders in effect.

At the present time about one-third of the milk sold wholesale by farmers is marketed under the terms of the 56 Federal milk market orders now in effect. Last year more than 186,000 farmers sold 27 billion pounds of milk to purchasers who were required to pay the minimum prices established by these orders. The total value of milk marketed under the program was over one billion dollars for the year.

The number of producers and the amount of milk delivered in 1954 is contained in table 1, which follows this report.

(Tables referred to are as follows:)

TABLE 1.—*Federal milk market orders effective on Apr. 1, 1955, with date each order became effective, average number of producers and total producer deliveries in 1954*

Market	Date first effective	Average number of producers	Producer deliveries
			Millions
Akron, Ohio	Jan. 1, 1955		
Appalachian	Oct. 1, 1954	577	[1] 14
Austin-Waco, Tex	Jan. 16, 1955		
Black Hills	July 1, 1954	150	[2] 11
Boston	Feb. 9, 1936	12,589	1,627
Cedar Rapids-Iowa City	Sept. 1, 1951	765	125
Central Mississippi	Oct. 1, 1954	1,118	[1] 22
Central West Texas	Nov. 1, 1952	736	132
Chicago	Sept. 1, 1939	23,701	4,570
Cincinnati	Nov. 23, 1942	5,055	432
Cleveland	Aug. 1, 1946	8,038	916
Columbus	Feb. 1, 1946	2,160	281
Dayton-Springfield	July 1, 1945	2,557	309
Detroit	Aug. 1, 1951	13,165	1,650
Dubuque	Oct. 1, 1936	262	42
Duluth-Superior	May 5, 1941	1,527	149
Fall River	June 1, 1940	295	52
Fort Smith	Aug. 1, 1952	413	56
Fort Wayne	Oct. 15, 1938	1,208	117
Kansas City	Dec. 1, 1936	3,170	413
Knoxville	July 16, 1949	713	109
Lima	Aug. 1, 1949	545	60
Louisville	Apr. 1, 1940	2,364	303
Memphis	Oct. 1, 1950	1,120	169
Merrimack Valley	Feb. 12, 1939	1,164	155
Milwaukee	Nov. 1, 1950	2,726	472
Minneapolis-St. Paul	Nov. 13, 1945	5,133	748
Muskegon	Sept. 1, 1953	599	75
Nashville	Nov. 16, 1947	1,391	177
Neosho Valley	Nov. 1, 1951	757	102
New Orleans	Oct. 1, 1939	2,764	281
New York	Sept. 1, 1938	50,091	7,765
North Texas	Sept. 1, 1951	3,152	672
Oklahoma City	May 1, 1950	1,425	170
Omaha-Lincoln-Council Bluffs	Apr. 5, 1939	2,583	295
Ozarks	Mar. 1, 1951	1,261	180
Paducah	Jan. 1, 1948	332	35
Philadelphia	Apr. 1, 1942	7,980	1,192
Puget Sound	May 1, 1951	3,769	765
Quad Cities	Feb. 1, 1940	1,237	203
Rockford-Freeport	Aug. 1, 1949	250	48
St. Louis	Feb. 1, 1936	4,370	569
San Antonio	May 1, 1952	462	147
Shreveport, La	Mar. 15, 1955		
Sioux City	Apr. 16, 1940	535	64
Sioux Falls-Mitchell	Aug. 1, 1952	311	55
South Bend-LaPorte	[3] Dec. 1, 1947	928	124
Southwest Kansas	June 1, 1954	384	[4] 30
Springfield, Mass	Dec. 1, 1949	1,450	202
Stark County, Ohio	Nov. 1, 1952	1,214	146
Toledo	Sept. 16, 1938	1,979	226
Topeka	Jan. 1, 1948	502	61
Tri-State—Kentucky-Ohio-West Virginia	Aug. 1, 1945	2,229	198
Tulsa-Muskogee	[5] Aug. 1, 1953	1,341	201
Wichita	June 1, 1944	1,026	153
Worcester	Dec. 1, 1949	775	120
Total (53 markets)		186,348	27,190

[1] November–December.
[2] August–December.
[3] Merged, LaPorte Nov. 13, 1937, St. Joseph County, July 1, 1943.
[4] July–December.
[5] Merged, Tulsa May 1, 1950, Muskogee Aug. 1, 1951.

Source: Compiled by the Dairy Division, Agricultural Marketing Service.

TABLE 2.—*Average of class I prices in Federal order markets and United States average of dealers' buying prices for milk used for city distribution as milk and cream, by months, January 1953–March 1955*

[Dollars per 100 pounds]

Month	Federal order class I average price (at basic test)			United States average of dealers' buying price (at 3.5 percent butterfat test)		
	1953	1954	1954 over 1953	1953	1954	1954 over 1953
January	5.39	4.97	−0.42	5.50	5.11	−0.39
February	5.21	4.83	−.38	5.40	5.03	−.37
March	5.05	4.76	−.29	5.27	4.96	−.31
April	4.76	4.48	−.28	5.05	4.75	−.30
May	4.58	4.21	−.37	4.92	4.61	−.31
June	4.56	4.20	−.36	4.87	4.58	−.29
July	4.84	4.47	−.37	4.99	4.72	−.27
August	4.97	4.66	−.31	5.05	4.82	−.23
September	5.12	4.84	−.28	5.15	4.96	−.19
October	5.19	4.99	−.20	5.20	5.01	−.19
November	5.28	5.04	−.24	5.23	5.03	−.20
December	5.13	4.95	−.18	5.18	5.03	−.15
	1954	1955	1955 over 1954	1954	1955	1955 over 1954
January	4.97	4.85	−.12	5.11	4.98	−.13
February	4.83	4.75	−.08	5.03	4.93	−.10
March	4.76			4.96	4.84	−.12

Source: Compiled by the Dairy Division, Agricultural Marketing Service.

TABLE 3.—*Weighted average of blend prices to producers in Federal order markets, United States average of prices received for all milk sold wholesale and United States average of prices received for milk sold for manufacturing uses by months, January 1953–March 1955*

[Dollars per 100 pounds]

Month	Federal order average blends (at basic test)			United States milk sold wholesale (actual test)			United States manufacturing milk (actual test)		
	1953	1954	1954 over 1953	1953	1954	1954 over 1953	1953	1954	1954 over 1953
January	4.76	4.34	−0.42	4.83	4.38	−0.45	3.89	3.55	−0.34
February	4.56	4.22	−.34	4.62	4.21	−.41	3.71	3.36	−.35
March	4.35	4.06	−.29	4.40	4.03	−.37	3.56	3.22	−.34
April	4.05	3.70	−.35	4.10	3.67	−.43	3.42	2.95	−.47
May	3.85	3.43	−.42	3.92	3.51	−.41	3.35	2.91	−.44
June	3.88	3.46	−.42	3.89	3.49	−.40	3.28	2.89	−.39
July	4.18	3.84	−.34	4.05	3.72	−.33	3.33	2.97	−.36
August	4.27	4.10	−.17	4.18	3.89	−.29	3.39	3.09	−.30
September	4.65	4.34	−.13	4.42	4.13	−.29	3.53	3.24	−.29
October	4.69	4.48	−.21	4.61	4.32	−.29	3.69	3.42	−.27
November	4.76	4.55	−.21	4.69	4.41	−.28	3.74	3.43	−.31
December	4.51	4.40	−.11	4.55	4.33	−.22	3.67	3.39	−.28
	1954	1955	1955 over 1954	1954	1955	1955 over 1954	1954	1955	1955 over 1954
January	4.34	4.24	−0.10	4.38	4.19	−0.19	3.55	3.27	−0.28
February	4.22	4.14	−.08	4.21	4.09	−.12	3.36	3.19	−.17
March	4.06			4.03	3.94	−.09	3.22	3.11	−.11

Source: Compiled by the Dairy Division, Agricultural Marketing Service.

TABLE 4.—*Milk production in the United States and selected States in which Federal or State orders price a large part [1] of the milk produced or a relatively small part of the total production, 1950–54*

Year	United States	Federally regulated prices		State regulated prices		Mostly unregulated prices	
		Vermont	New York	California	Connecticut	Minnesota	Wisconsin
	Million pounds						
1950	116,602	1,516	8,853	5,991	697	8,067	14,796
1951	114,841	1,495	8,811	6,014	693	7,942	15,047
1952	115,197	1,522	8,960	6,074	697	8,088	15,272
1952	121,149	1,664	9,343	6,610	726	8,590	15,989
1954	123,502	1,692	9,473	7,014	740	8,615	16,550
	Index (1950=100)						
1950	100	100	100	100	100	100	100
1951	98	99	100	100	97	98	102
1952	99	100	101	101	96	100	103
1953	104	110	106	110	102	106	108
1954	106	112	107	117	103	107	112

[1] Percent of total milk production in 1953 which was sold under terms of Federal or State regulation: Federal regulation: Vermont 70 percent; New York 65 percent; Minnesota 10 percent; Wisconsin 20 percent. State regulation: California 70 percent; Connecticut 80 percent. There was some additional milk priced by State orders in Vermont and New York and by Federal orders in Connecticut.

Source: Compiled by the Dairy Division, Agricultural Marketing Service.

Mr. FOREST. The markets in which Federal milk orders operate extend through the entire central area of the country from Duluth to New Orleans and San Antonio. They include 3 large areas and 4 smaller ones in the Northeast, and an area on the Pacific coast adjacent to Puget Sound.

The population of these 56 market sales areas calculated on the basis of the 1950 census represents nearly half of the urban population of the country. An even larger number of consumers are served to some extent from the supply of milk sold under these programs. Sales of whole milk by regulated handlers to consumers outside the defined sales areas amounted to 13 percent of their in-area sales in 1953.

A substantial proportion of milk marketed by farmers in many States is sold to handlers regulated by Federal milk orders. Nearly two-thirds of the milk sold wholesale by farmers in the North Atlantic States and one-half of the milk marketed by farmers in Ohio was sold under the terms of a market order in 1953. More than half of the milk sold wholesale by farmers in Louisiana and Texas was marketed under a Federal milk order. Federally regulated plants in Wisconsin purchased nearly one-fourth of all the deliveries by farmers of whole milk in that State.

In case you are not familiar with the term "handler," it is used in the Marketing Agreement Act for "dealers."

Normally in many markets the terminology used with respect to the man who buys milk from the farmers is a "dealer," but the Marketing Agreement Act speaks of "handler." So we use the terminology "handler" in the marketing order.

Mr. ANDRESEN. Does that also mean distributor?

Mr. FOREST. It means distributors in some areas. They are all synonymous terms.

Federal milk orders are legal instruments which define the terms under which dairymen sell their milk to handlers who use it primarily for fluid distribution in a regulated city market. Their purpose is to maintain an orderly marketing of milk by farmers which will assure that consumers are provided at all times with a wholesome and ample supply of milk.

Orderly marketing is effected by the order program through the certainties which an order provides. The terms spelled out as they are in each order are known in advance to both buyers and sellers. The terms are developed with public procedures. Producer, handlers, and consumers have an opportunity to take part in these public procedures. The program supplies the basic factual information for use of all such interested groups. Accurate information about supplies and demand for milk in a market is not available in most markets until a Federal order program is instituted with its requirements for complete reporting and verification of reports. This accurate information makes possible decisions on prices which reflect market supply and demand condition.

The orders provide a mechanism for pricing milk according to a plan which is adapted to the peculiar characteristics of the product. Prices are established on a class price plan. Milk sold for fluid use is priced at a level which is consistent with the value of milk for the fluid market and surplus milk is priced at approximately the level of prices paid by dairy product manufacturers for milk they purchase for manufacturing. Both the fluid class and surplus class prices vary with changing supply and demand for milk and dairy products nationally and in the local markets.

Federal milk orders do not guarantee a given level of price—only a price related to other economic conditions. They do not guarantee farmers a market with any buyer. They do create an orderly market condition in which farmers can find a buyer for their milk.

Federal milk orders do not control production or restrict the marketing by farmers of milk in any market. They do not establish sanitary standards. Sanitary regulations applicable to milk sold in fluid markets are administered by local and State health authorities. The regulation of a milk order is limited to the definition of the terms under which handlers must pay for milk which they buy from farmers and sell in regulated fluid markets.

Economic and legislative background: The fundamental purpose of milk orders can be best understood in terms of the marketing conditions which gave rise to the early requests for legislative action and the subsequent changes in economic conditions which brought about the evolution of milk orders to their present-day role.

Before 1933 the most important Federal legislation affecting milk marketing were the Clayton Act of 1914 and the Capper-Volstead Act of 1922. Both of these acts encouraged, as a matter of public policy, the development of cooperative associations of producers of agricultural commodities. Milk producers, and particularly those selling their milk in city markets, responded to this encouragement and a considerable number of cooperative associations of milk producers grew up in production areas supplying city markets.

These associations found the problems of marketing and pricing milk extremely difficult. During the early periods these associations attempted to bargain with milk dealers for a flat price which would be applicable to all of the milk of their members. Flat prices for milk, however, had peculiarly unstabilizing effects upon the marketing of milk. Under the flat-price system each handler paid the same price regardless of the use he made of his milk.

Since it was not possible for a handler to calculate his daily requirements for fluid sales with preciseness, and it was even more difficult for the dairy farmer to regulate the production of his dairy herd to match the handler's sales, there normally was an excess of milk in fluid-milk plants over the daily fluid requirements. Handlers who had excess supplies usually reacted in one of two ways. They either took fluid sales from other handlers by offering the excess at reduced prices which in turn were passed back to farmers, or they refused to accept the full quantity of milk offered by farmers.

A factor which accentuated the pricing problems created by this lack of balance between sales and production was the enactment by health authorities in many large fluid-milk markets during the 1920's of more stringent sanitary regulations relating to milk produced for fluid use. To meet the requirements imposed in fluid markets producers had to invest considerable money in improving the milk-producing facilities and take additional care in sterilizing utensils, keeping barns clean, et cetera.

Producers who made such improvements for production of high-quality milk expected some compensation in the form of a premium over the prices paid for milk of a manufacturing grade. However, if the dealer handled all his producers' milk during the flush production months, he had to dispose of large quantities of surplus milk during these months. This milk had to be manufactured into products, such as butter and cheese, where it had a lower use value than it would have had as fluid milk or cream. The dealer could not pay the same price for the surplus milk which was used to produce these lower value products as he could pay for milk utilized as fluid milk.

Farmers, through their cooperative associations, devised a plan to encourage handlers to accept milk regularly from farmers who had made the investment required to produce high-quality milk, even in periods in which the handlers had no fluid outlets for some of the milk purchased. Through their cooperative associations, they worked out with dealers a system of differentiated prices. These were called classified price plans, and required the payment of a higher price to farmers for milk sold in fluid outlets than for milk processed and sold as a product like butter and cheese. These plans were in effect in a number of the largest markets in the country by about 1920. As an adjunct of these classified pricing plans, various kinds of pooling arrangements were also developed to distribute uniformly to producers the total class values paid by handlers.

During the twenties milk producers attempted, through their cooperative associations, to expand orderly marketing and pricing programs for their milk. They were not entirely successful, however, since the plans which the cooperatives developed depended for their success upon participation by all groups in the market. But there were advantages to minority groups of producers and milk dealers in remaining outside of these plans, and as a consequence, the cooperatives

were seldom successful in attaining the universal applicability of their plans. During the twenties, however, relative prosperity in the cities and increasing sales of milk made it possible to apply these plans with at least partial success.

The economic pressures during the depression of the early thirties caused the collapse of many of these voluntary plans. At that time, the Congress took action to help milk producers through legislation. The Agricultural Adjustment Act of 1933 first authorized the United States Department of Agriculture to carry out a program of fixing minimum prices for milk delivered by producers to many of the urban centers of the country. The Agricultural Adjustment Act of 1935 expanded and made more explicit the Department's authority to fix minimum prices for milk. Additional authority and further clarification of the status of milk control legislation were achieved through the passage of the Agricultural Marketing Agreement Act of 1937—the statute under which the present program of establishing minimum producer prices is carried out. This act authorizes the Secretary of Agriculture to issue orders or to enter into marketing agreements with handlers for the purpose of regulating the handling of milk in those respects authorized by the act. Milk orders have been the primary instrument used in regulating milk handlers. A milk order is applicable to all handlers in a regulated marketing area.

Marketing agreements as authorized by the act are agreements between the Secretary, on the one hand, and milk handlers on the other. They are not agreements between handlers and producers nor among handlers. A marketing agreement may contain, when it is an adjunct of an order, only those terms which are also included in an order, which terms must be authorized by the act, and it may be issued only if the need for it and the terms it contains are substantiated by evidence introduced at a public hearing. Although marketing agreements are authorized by the act they have not played an important role because handlers generally fail to sign them in requisite numbers. There are apparently two reasons for this:

First, a marketing agreement is binding only on those handlers who sign it and second, since a milk marketing agreement must contain terms identical to those of the accompanying order, no additional purpose is accomplished by an agreement. At the present time there are no milk marketing agreements in effect.

An important factor in the expansion of Federal milk orders to new markets in the immediate postwar period has been the need in many areas for a reconciliation of the interests of new producer groups with the interests of producers long established in the market. Present-day milk supply areas for our major urban markets extend over wide areas, and widely separated producers bring different economic interests and different viewpoints to the bargaining table. Through the Federal order program, differences of viewpoint on the part of separate groups have been reconciled and decisions reached in accordance with the common welfare and the prescribed standards of the program as set forth in the statute. Minority groups, as well as handlers and consumers, have been guaranteed an impartial consideration of their interests under the program.

Under the impetus of postwar economic developments, an increasing number of producer groups requested the assistance of Federal milk orders in developing effective pricing and marketing programs. The

number of Federal orders more than doubled from 1947 to the present time, and 7 new orders have become effective during the past 12 months.

Price levels: The national oversupply of milk and butterfat relative to market sales of milk and dairy products which has existed during a number of postwar years has aggravated the difficulties which confront producers trying to bargain for prices. Normal sales channels have failed to absorb the total supply of milk offered by dairy farmers during this period. This lack of balance between supply and sales has depressed prices paid to dairymen generally. The lower levels of prices have prevailed in Federal order markets, as well as in other fluid markets and in areas producing milk primarily for use in manufactured dairy products.

The attached figure 1, which shows indexes of Federal order class I prices—15 markets for which data are available 1940 to date include Boston, Chicago, Dubuque, Fall River, Fort Wayne, Kansas City, Louisville, Merrimack Valley, New Orleans, New York, Omaha-Lincoln-Council Bluffs, Quad Cities, St. Louis, South Bend-La Porte and Toledo—compared with prices paid by condenseries and the United States average of dealers' buying prices for milk used for city distribution as milk and cream, illustrates the sharp drop in all three price series since the peak in 1952.

That is a chart and not a table on the back part of the statement. That is figure No. 1.

(Figure No. 1 appears on p. 11.)

Mr. FOREST. We took the prices of the three different series in 1940 and computed an index from that 1940 price.

The United States average dealers' buying price is a price series put out by the Department of Agriculture as compiled from a number of fluid milk markets throughout the country and is not confined to Federal order markets. We then took an index of the Federal order prices where we could have a series from 1940, and the United States paid condensaries is also a figure published by the Department of Agriculture and is collected each month from prices paid by condenseries unregulated.

The drop in prices paid at condenseries was relatively greater than the drop in fluid market prices during this period, since the index of manufacturing milk prices reached a peak considerably higher than the fluid series in 1952 and fell from that level to 17 points below the United States average of fluid buying prices in 1953.

Although average class I prices in Federal order markets moved closely in line with United States average fluid buying prices from 1940 to 1946, the Federal order prices have been relatively lower than United States average prices since 1947, part of that divergence is probably due to the wider application of the class I price in the Federal order markets. The class I price in Federal order markets usually applies to all products which must be made from grade A milk. Other markets are often not so comprehensive in their class I definitions or so rigid in the accounting for products in each class. These factors have become more important in recent years and tend to offset the lower level of class I prices in Federal order markets and product about the same total return as producers get in unregulated fluid markets.

The changes in Federal order class I and blend prices and United States average prices of all milk sold wholesale, milk sold for manu-

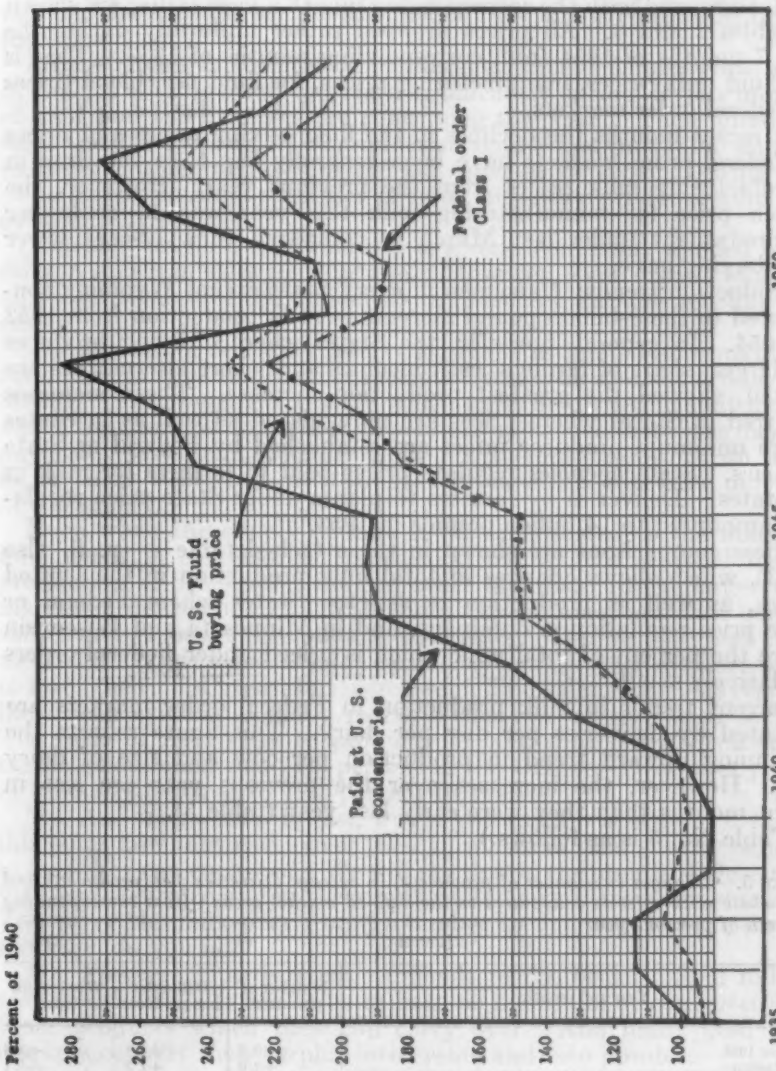

FIGURE 1.—Class I prices in 15 Federal order markets compared with United States average dealers' buying price for milk used for city distribution as milk and cream and prices paid producers by United States condenseries.

facturing, and milk sold for fluid use, for each month since January 1954, compared with the corresponding month a year earlier are shown in tables 2 and 3. All prices dropped rather uniformly during the first 7 months of 1954 from corresponding months of 1953. That is the fluid milk prices, manufacturing prices, for fluid use, blend prices in Federal order markets.

In recent months the declines in the fluid buying prices and prices in Federal order markets have been generally less than the drop in manufacturing milk prices from the previous year. However, the March price for manufacturing milk this year was 11 cents per hundredweight under last March as compared to a 12-cent lower fluid buying price.

Production trends: Dairymen in every State except Wyoming contributed to the 8-billion pound increase in milk production from 1952 to 1954. In general, however, the States where dairying produces the largest share of farmers' cash incomes and where alternatives are limited, showed the greatest production increase. These increases occurred in States where prices are unregulated as well as in States where minimum producer prices are established by Federal or State agencies. State agencies regulate prices paid to farmers for milk in 16 States. Deliveries by farmers to plants under State price regulation amounted to 14 billion pounds in 1953.

These comparisons are shown in the attached table 4 (p. 6, also p. 83), which shows changes in total milk production in the United States, as well as production in selected States where Federal or State price regulation is dominant, and in Minnesota and Wisconsin where the percent of total milk which is priced under Federal orders is relatively small.

Current trends in milk production in Federal order markets are indicated by deliveries per day per dairy. This figure reflects the continuing upward trend in production per cow and size of dairy herd. However, the increases over the previous year are less in recent months than they were early last year (table 5).

(Table No. 5 is as follows:)

TABLE 5.—*Changes in number of producers, in average deliveries per producer,*[1] *and in whole milk sales to consumers in the defined market areas*[2] *from corresponding month of previous year*

[Percent]

Year and month	Number of producers	Deliveries per producer	Whole milk sales
1954 over 1953	+0.2	+4.1	+2.3
1954—January	+2.0	+7.3	+1.1
February	+1.7	+6.9	+2.2
March	+1.5	+5.9	+3.4
April	+1.1	+4.4	+2.4
May	+.3	+4.0	+1.3
June	+.2	+3.2	+.4
July	+0	+1.8	+1.3
August	−.4	−.8	+1.4
September	−.6	+3.2	+.2
October	−.7	+5.0	[3] +6.0
November	−1.1	+3.5	+3.8
December	−1.7	+2.8	+3.5
1955—January	−2.7	+3.4	+4.1
February	−2.9	+2.2	+4.0

[1] All markets where data is available on a comparable basis for both months.
[2] Markets where in-area sales can be segregated and which include about two-thirds of the population of all federally regulated markets.
[3] Shows effect of New York delivery strike in October 1953.

Source: Compiled by the Dairy Division, AMS.

Mr. FOREST. The number of producers supplying Federal order markets declined during the last half of 1954 and is continuing downward this year.

Milk supplies in Federal order markets: Sales of fluid whole milk in Federal order markets increased significantly during the late months of 1954 and the increases are continuing this year. These increased sales and the leveling off of production reduced surplus milk supplies in Federal order markets in the last quarter of 1954. During this same period national surpluses of milk and dairy products were also substantially reduced.

"Surplus" in fluid milk markets is a term commonly applied to all milk in excess of sales for fluid use. However, some excess results at all times because of the difficulties in balancing variable receipts and sales.

The amount of necessary reserve is usually estimated in terms of the ratio of fluid sales to producer receipts during the shortest production month. The amount of reserve which must be carried in that month varies from market to market, depending upon such factors as day-to-day sales variations, whether milk plant employees work on a 5-, 6-, or 7-day week, and institutional factors which affect the mobility of the supply.

Even when the supply of milk is nicely adjusted to the market's fluid needs in this shortest production month, the seasonal rise in production brings surplus milk in other months. In the larger milk markets a reserve of 15 to 25 percent in the shortest month is usually sufficient to balance receipts and fluid sales. During 1953 and 1954, most of the larger markets have carried reserves greater than necessary to meet their fluid needs, but increases in fluid sales relative to receipts have been evident in many markets this year as compared to last. The ratio of fluid sales to producer deliveries for all Federal order markets combined was 74.9 percent in the October–December period of 1954 as compared to 72.5 percent in 1953.

Mr. ANDRESEN. Mr. Forest, would you explain a little in detail in this point how they carry over their surpluses in their shorter periods, so that they can equalize? We will say that in the month of December they had a surplus and in the month of January there was a shortage. You carry the milk over from December to January to equalize the shortage, do you not?

Mr. FOREST. That is a little difficult to do, because fluid milk is very perishable. It has to be utilized as fluid milk or converted into those products which they can carry over. And many fluid milk markets convert their surplus into cream and into powder.

Mr. ANDRESEN. You stated that the shortages are equalized by the surplus months. I wish you would explain to the committee right here so we can have that information as to how you handle that.

Mr. FOREST. As you know, Congressman Andresen, milk production increases greatly during April, May, and June. That is the time the milk cows come into milk production, that is, great milk production.

Even though there is a surplus of milk in April, May, and June, because the cows have increased their production over sales which remain fairly constant, even though you have a surplus in April, May, and June, those same cows will not deliver that much milk in the fall period, so that in order to have enough milk in the fall you are

sure you are going to have some surplus milk in April, May, and June. The same number of cows will deliver more milk in April, May, and June than they will in October, November, and December.

Mr. ANDRESEN. Then you do not actually carry over the milk?

Mr. FOREST. No; we do not.

Mr. ANDRESEN. Or the products of milk from the surplus-producing time to the short time?

Mr. FOREST. Not for fluid use. No, those products, the surplus milk in April, May, and June, that milk which is produced beyond that which is needed for sales in bottles is converted into dairy products such as butter and cheese, cream and powder.

Those products, especially the cream is carried over into the fall period and used by many dealers for ice cream use, and frozen cream.

Mr. ANDRESEN. Then the main purpose, as you have explained the equalization in here, is equalization of return to the producer, rather than a carrying over of the commodity, with the exception of cream, et cetera, to a short period?

Mr. FOREST. Yes, sir; that is right.

Mr. ANDRESEN. Another factor: We have had abundant production in some years during the months of October, November, and December. How do you account for that? Is that because of the additional high-protein feed that is fed to cows during those months? That has kept up the production.

Mr. FOREST. It is pretty hard for dairy farmers always to guess just exactly the amount of feed which they are going to have and the amount of roughage which they are going to have, and the quality of both the roughage and the feed, and also to some extent I think that the prices themselves have encouraged some additional production.

A combination of all those factors, that is, in some years gives us more production than the market actually needs.

Mr. ANDRESEN. As an expert on dairying and I am referring to you, you know they have developed certain high-protein feeds whereby you can get the same kind of production throughout the entire year. Is that not correct?

Mr. FOREST. Yes, sir; that is right.

Mr. ANDRESEN. In fact, at home I listen to the radio every morning about 6 o'clock, and I hear that if you will use this kind of high-protein feed for your dairy cattle, you will get 20 or 30 percent more production in the winter months.

Is that factor taken into consideration?

Mr. FOREST. Yes, that factor would be taken into consideration, as I will explain later on, because we would look at all times to the amount of milk which the farmers are delivering at the prices we have in effect. And to the extent which they feel that those prices are sufficient to pay them enough profit to produce additional milk, and too much milk relative to fluid milk sales, then the prices must be reduced.

On the same basis, if the prices we have in effect, and with all of these new feeding devices and feeding programs, they are not getting enough milk produced for the fluid milk markets, then the prices are increased.

That is explained later on in the statement, the standards under which we fix these minimum prices.

Mr. ABERNETHY. Mr. Heimburger has 2 or 3 questions.

Mr. HEIMBURGER. I wish you would take the time at this point to define a little more explicitly perhaps what you mean by the two terms "surplus" and "reserve." It is a little unclear to me, at least, in reading this.

Mr. ABERNETHY. You want him to distinguish between the two; is that right?

Mr. HEIMBURGER. That is right.

Mr. FOREST. Even in October and November and December, because the dealer must always have enough milk to put in bottles at all times, he carries somewhat of a reserve above that amount. He cannot always gage exactly the amount of milk which his customers are going to take.

Mr. HEIMBURGER. What you mean by that is that the dealer in order to be sure he has enough fluid milk for any one day will buy more than he actually has scheduled to put in the bottles on that day; is that correct?

Mr. FOREST. That is right.

Mr. HEIMBURGER. That is what you refer to as your "reserve"?

Mr. FOREST. As the necessary reserve; yes.

Mr. HEIMBURGER. And you say that in some of the market areas that minimum reserve runs as high as 15 to 25 percent of the amount which actually does go into bottles?

Mr. FOREST. Yes, sir.

Mr. HEIMBURGER. And the excess, then, is what is actually left after he has bottled the milk; is that correct?

Mr. FOREST. Yes, that would be the reserve; yes, sir.

Mr. HEIMBURGER. Is that what is the excess?

Mr. FOREST. That would be synonymous—those would be synonymous terms, "excess" and "reserve."

I do not think we make any distinction between the terms, because in the classified pricing, all of that would be class II milk, but I think that what we would normally think of as "surplus," is that if we got more than 25 percent during November, 15 to 25 percent, then that would be surplus, which was not needed on the market for any use at all, except that there is a possibility that you might need it in future years, but we would consider that as an indication that our prices were somewhat too high—we were getting more milk than the market needed for actual use in fluid milk, plus necessary reserve.

Mr. ABERNETHY. You may proceed.

Mr. FOREST. In order to have an adequate supply of milk to meet fluid-sales requirements plus a necessary reserve during the short production months, it is necessary to carry a much larger excess during the months of seasonally heavy production. Consequently the percent of producer deliveries sold in the form of fluid items is substantially lower in the April–June period. The average in Federal order markets for that 3-month period was 53.4 percent in 1953 and 52.4 percent in 1954.

Mr. ABERNETHY. What do you mean; of what?

Mr. FOREST. Of the total milk—total deliveries of the farmer.

Mr. ABERNETHY. I see. Thank you.

Mr. FOREST. The excess deliveries of milk which are not required for fluid sales in Federal order markets are manufactured into dairy products. The principal products in which surplus milk is used in

these fluid markets are ice cream, condensed and evaporated whole milk and skim milk, dry-milk solids, both whole and nonfat, butter and cheeses, including cottage, cream, and specialty cheeses.

During 1953, about 16 percent of the milk delivered to Federal order market plants was made into butter or Cheddar-type cheeses. The 146 million pounds of butter and 100 million pounds of cheese made in federally regulated plants represented about 10 percent of the total production of each of these products in 1953. Data for 1954 are not yet available on a complete basis but the January–June totals indicate that Federal order markets accounted for about the same percentage of total butter and cheese production as they did a year earlier.

PROCEDURES FOR THE DEVELOPMENT OF AN ORDER

Responsibility for development: The responsibility of the Federal Government in the development of milk orders is to judge the fairness of the various proposals, to resolve the differences in the public interest and to enforce the orders after they are issued.

The role assigned to the Department of Agriculture in appraising the effects of proposed pricing plans on the different interest groups carries with it an enormous responsibility. The responsibility for arriving at fair and just decisions as they affect the hundreds of milk handlers, the thousands of milk producers and the millions of milk consumers who are directly affected by these Federal milk order programs is a tremendous burden. Handlers of milk and producers of milk as they operate differently and as they are located in different parts of the country are affected in different ways by these marketing plans. Consumers inside Federal milk-marketing areas and outside Federal areas may be affected differently by the pricing plans.

The Department's responsibility in analyzing the complex problems which affect the public interest in the marketing of milk could not have been successfully carried out without the framework of public procedures which the act provided. The public hearing provides the framework within which the interests of all persons may be considered and pricing plans developed which are fair and equitable to all. The public hearing offers an opportunity for minority as well as for majority groups to bring to the attention of the Department their interests and the manner in which they would be affected by any proposed price plan.

The public procedures of the program offer an opportunity for leaders in the dairy industry, for farmer organization leaders and for the specialists from our colleges and universities to have a hand in shaping Government decisions.

The procedures: The Department of Agriculture undertakes work on a milk-pricing regulation only after receipt in the Department of an application for a Federal milk-marketing agreement and order accompanied by a detailed proposal for such a regulation. This request for Federal assistance ordinarily is furnished by a cooperative association of producers which is interested in milk regulation for a particular market.

Upon receipt of an application for regulation, and investigation of the market and its problems may be made. The purpose of this investigation is to ascertain preliminarily:

(*a*) Whether the problems sought to be corrected by the proposed marketing agreement and order are ones which may properly be dealt with by Federal regulation;

(*b*) The extent of interstate commerce in the market;

(*c*) The availability of information and statistics regarding the marketing and pricing of milk; and

(*d*) Whether in light of the preliminary information the proposed marketing agreement and order would seem to correct the conditions sought to be corrected and whether it would tend to effectuate the declared policy of the act.

If the investigation discloses the availability of sufficient information, and an indication that an order would improve marketing conditions in the area, a hearing is held in the area where the order would apply. The purpose of the hearing is to afford all interested persons an opportunity to present facts and evidence regarding:

(1) The desirability and feasibility of issuing a marketing agreement and order; and

(2) The particular terms and conditions which the regulation, if issued, should contain.

The hub of the milk-order proceeding is the public hearing toward which all the preliminary investigation of the market and the accumulation of market information is directed. Likewise the actions taken under a milk order radiate from the public hearing at which the marketing plan was considered. The public hearing on a proposed milk order or an amendment to an order is a requirement of the Agricultural Marketing Agreement Act under which milk orders are authorized, whenever the Secretary of Agriculture has reason to believe that the issuance of such an order will tend to effectuate the declared policy of the act. The findings by the Department that an order be issued or that an order is not needed in an area and all the terms of a proposed order must be based on the evidence presented at the public hearing.

The hearing is conducted by a presiding officer who is a hearing examiner assigned to the Department. All of the testimony is taken under oath or affirmation and is reported verbatim. Any interested person who desires to testify is given an opportunity to be heard on matters relevant and material to the issues under consideration.

Mr. ANDRESEN. Is this hearing examiner assigned to the Department or named by the Department?

Mr. FOREST. He is assigned to the Department?

Mr. ANDRESEN. By whom?

Mr. FOREST. And named by the Civil Service. I think he is selected through the Civil Service Commission.

Mr. ANDRESEN. He is a Government employee?

Mr. FOREST. He is not a Department of Agriculture employee.

Mr. GIRARD. I do not believe Mr. Forest is quite correct in that.

The hearing examiner is appointed under the Administrative Procedure Act. He is selected from a list which is obtained by the Civil Service Commission on a competitive examination. The hearing examiners are selected from that list by the Secretary of Agriculture.

His exclusive function is in presiding at hearings of a regulatory or adjudicatory nature.

He is separate from all other functions of the Department, so that, while they are appointed by the Secretary, hearing examiners are

usually assigned to the hearings by the Chief Hearing Examiner in rotation.

Of course, he has no functions in connection with his duties which conflict with any investigatory or prosecutive functions.

Mr. ABERNETHY. He is not an employee of the Department?

Mr. GIRARD. He is an employee of the Department.

Mr. ABERNETHY. He is an employee of the Department?

Mr. GIRARD. That is right, sir, but he is separated from the employees generally, put in a special classification, because not even the Secretary can remove him. He is given quasi-independence.

Mr. ABERNETHY. Is there a pool of these examiners?

Mr. FOREST. Yes, that is right. There are five examiners in the Department of Agriculture.

Mr. ABERNETHY. Who makes the selection?

Mr. GIRARD. The Secretary of Agriculture selects the examiner under the Administrative Procedure Act, from the list maintained by the Civil Service Commission.

After he is selected, however, he can be removed only upon a hearing which is conducted by the Civil Service Commission; in other words, the Secretary cannot remove a hearing examiner without charges and a hearing and review by the courts.

Mr. ANDRESEN. Then, as we understand it, instead of his being assigned to the Department, he is an examiner designated by the Department to conduct a certain hearing?

Mr. GIRARD. That is right, sir.

Mr. ANDRESEN. And he is an employee of the Department.

Mr. GIRARD. That is right, sir.

Mr. LAIRD. I would like to ask one question. I understood that the assignment was made by the Chief Examiner and not the Secretary.

Mr. GIRARD. That is correct; the Chief Examiner.

Mr. LAIRD. In your statement you say he was assigned by the Secretary of Agriculture. I think the Chief Examiner assigns the examiner to each hearing.

Mr. GIRARD. He is appointed by the Secretary, but the assignment to the various hearings is by the Chief Hearing Examiner, who assigns the hearing examiners to the hearings in rotation, so far as is practicable.

Mr. ABERNETHY. Does he have duties other than sitting in hearings, of the nature to which the witness has just testified?

Mr. GIRARD. This hearing is a rulemaking hearing, a formal rulemaking hearing, required to be conducted under the provisions of sections 7 and 8 of the Administrative Procedure Act.

He also sits as the hearing examiner in quasi-judicial hearings, disciplinary hearings, hearings of that kind which arise under the various regulatory programs of the Department.

Mr. ABERNETHY. You may proceed.

Mr. FOREST. I did not want to confuse the committee, but I think in practical operation we do not consider that the presiding officer is one of the people on the team that is assigned by the Secretary to go to these hearings to make the record. I mean, he is, in practical operation, set aside from the rest of the employees. That is what I meant. We do not sit and discuss the problems with respect to the hearing with the presiding officer. We in the Dairy Division would sit down with the administrative people and discuss the problems of the public hearing. The presiding officer is not in those conferences.

Mr. ABERNETHY. You said he was a factfinding officer.

Mr. FOREST. Yes, sir. He does not take the responsibility of making the decision with respect to the promulgation hearings, these public hearings which I am talking about. That is made by the Secretary of Agriculture on the basis of the written record. The presiding officer does not make that decision.

Mr. ANDRESEN. Does he have the authority to rule out certain testimony, or must he take it all?

Mr. FOREST. Anything that is relevant, he is supposed to get in the record. He does have to make decisions at times as to whether or not it is relevant; I mean, he is there to keep order in the hearing and to get in all of the relevant evidence and the facts pertaining to the problem under consideration.

Mr. ANDRESEN. Then he is the man who is experienced in the dairy field, if he can pass on the relevancy of testimony.

Mr. FOREST. Well, he listens to the arguments as to whether the material is relevant before he makes his decision. They are not all intimately experienced in the dairy industry.

Mr. ABERNETHY. Is it not fair to say—if you will excuse me—that he is judicially trained, skilled as a factfinding officer who sits as a hearing officer for the purpose of determining certain facts related to the application for a milk marketing order?

Mr. FOREST. Yes, I think that would be a correct description.

Mr. ABERNETHY. And, of course, as such, he would, in order to keep from overburdening the record, be required to rule out incompetent and irrelevant testimony.

Mr. FOREST. And repetitious evidence. That is what we get a lot of in the public hearings. At times he will say, "We have had that in half a dozen times, and there is no need to put it in again." He keeps order and keeps the hearing going.

Mr. ABERNETHY. He is not a part of the Dairy Branch of the Department of Agriculture?

Mr. FOREST. He is not.

Mr. JOHNSON. Then after he has gathered this evidence, some other department in the Department of Agriculture makes the decision whether the order should be granted or not?

Mr. FOREST. Yes, I have that covered in my paper; how we use that evidence which is received at the public hearing.

Mr. ANDRESEN. Is he provided with a certain set of rules of procedure and evidence, which govern him, just like a baseball umpire?

Mr. FOREST. Yes.

Mr. GIRARD. Yes, sir; I can answer that I believe. We have rules of practice.

Mr. ABERNETHY. He makes up the rules?

Mr. GIRARD. The Secretary of Agriculture has rules of practice governing procedures for the promulgation of milk orders, and his authority, as well as all of the procedural requirements, are spelled out in those rules of practice, and they govern the conduct of the hearing.

They also govern the conduct of the other officers of the Department who participate in the decision, and their responsibilities are all spelled out in those rules of practice.

Mr. ANDRESEN. And your particular branch promulgates the rules and regulations that the Secretary hands to the examiner?

Mr. FOREST. No. Those are developed outside of our particular branch. The General Counsel's Office, I think, has the primary responsibility of developing those rules of procedure, as they do for other acts.

Mr. ANDRESEN. Will you place into the record at this point the rules and regulations under which the examiner operates, and the names and the positions occupied by the examiners during the past 2 years?

Mr. GIRARD. Yes, sir.

Mr. ABERNETHY. What is the length of them?

Mr. GIRARD. They take about four Federal Register pages.

Mr. ABERNETHY. That is all right.

Without objection, it may be inserted in the record at this point.

(The information is as follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE

PRODUCTION AND MARKETING ADMINISTRATION

[7 CFR 900.1-900.18]

CHAPTER IX—PRODUCTION AND MARKETING ADMINISTRATION (MARKETING AGREEMENTS AND ORDERS)

PART 900—GENERAL REGULATIONS

SUBPART—RULES OF PRACTICE AND PROCEDURE GOVERNING PROCEEDINGS TO FORMULATE MARKETING AGREEMENTS AND MARKETING ORDERS

Sec.

900.1 Words in the singular form.
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900.17 Additional documents to be filed with hearing clerk.
900.18 Hearing before Secretary.

AUTHORITY: §§900.1 to 900.18 issued under sec. 10 (c), 48 Stat. 37, 50 Stat. 246, 248; 7 U. S. C. 610 (c). Statutes interpreted or applied or statutes giving special authority are listed in parentheses at the end of specific sections.

§ 900.1 *Words in the singular form.* Words in this subpart in the singular form shall be deemed to import the plural, and vice versa, as the case may demand.

§ 900.2 *Definitions.* As used in this subpart, the terms as defined in the act shall apply with equal force and effect. In addition, unless the context otherwise requires:

(a) The term "Act" means Public Act No. 10, 73d Congress (48 Stat. 31), as amended and as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 (50 Stat. 246), as amended.

(b) The term "Department" means the United States Department of Agriculture.

(c) The term "Secretary" means the Secretary of Agriculture of the United States, or any officer or employee of the Department to whom authority has heretofore been delegated, or to whom authority may hereafter be delegated, to act in his stead.

(d) The term "examiner" means any examiner in the Office of Hearing Examiners, United States Department of Agriculture.

(e) The term "Deputy Administrator" means any Deputy Administrator of the Agricultural Marketing Service of the Department or any officer or employee of the Department to whom such Deputy Administrator has heretofore lawfully

delegated, or to whom he may hereafter lawfully delegate, the authority to act in his stead.

(f) The term "Service" means the Agricultural Marketing Service of the Department.

(g) The term "Federal Register" means the publication provided for by the act of July 26, 1935 (49 Stat. 500), and acts supplementary thereto and amendatory thereof.

(h) The term "hearing" means that part of the proceeding which involves the submission of evidence.

(i) The term "marketing agreement" means any marketing agreement or any amendment thereto which may be entered into pursuant to section 8b of the act.

(j) The term "marketing order" means any order or any amendment thereto which may be issued pursuant to section 8c of the act, and after notice and hearing as required by said section.

(k) The term "proceeding" means a proceeding upon the basis of which a marketing agreement may be entered into or a marketing order may be issued.

(l) The term "hearing clerk" means the hearing clerk, United States Department of Agriculture, Washington, D. C.

(m) The term "presiding officer" means the examiner conducting a proceeding under the act.

§ 900.3 *Proposals.* (a) A marketing agreement or a marketing order may be proposed by the Secretary or by any other person. If any person other than the Secretary proposes a marketing agreement or marketing order, he shall file with the Deputy Administrator a written application, together with at least four copies of the proposal, requesting the Secretary to hold a hearing upon the proposal. Upon receipt of such proposal, the Deputy Administrator shall cause such investigation to be made and such consideration thereof to be given as, in his opinion, are warranted. If the investigation and consideration lead the Deputy Administrator to conclude that the proposed marketing agreement or marketing order will not tend to effectuate the declared policy of the act, or that for other proper reasons a hearing should not be held on the proposal, he shall deny the application, and promptly notify the applicant of such denial, which notice shall be accompanied by a brief statement of the grounds for the denial.

(b) If the investigation and consideration lead the Deputy Administrator to conclude that the proposed marketing agreement or marketing order will tend to effectuate the declared policy of the act, or if the Secretary desires to propose a marketing agreement or marketing order, he shall sign and cause to be served a notice of hearing, as hereinafter provided.

§ 900.4 *Institution of proceeding*—(a) *Filing and contents of the notice of hearing.* The proceeding shall be instituted by filing the notice of hearing with the hearing clerk. The notice of hearing shall contain a reference to the authority under which the marketing agreement or marketing order is proposed; shall define the scope of the hearing as specifically as may be practicable; shall contain either the terms or substance of the proposed marketing agreement or marketing order or a description of the subjects and issues involved and shall state the industry, area, and class of persons to be regulated, the time and place of such hearing, and the place where copies of such proposed marketing agreement or marketing order may be obtained or examined. The time of the hearing shall not be less than 15 days after the date of publication of the notice in the Federal Register, as hereinafter provided, unless the Deputy Administrator shall determine that an emergency exists which requires a shorter period of notice, in which case the period of notice shall be that which the Deputy Administrator may determine to be reasonable in the circumstances; *Provided*, That, in the case of hearings on amendments to marketing agreements or marketing orders, the time of the hearing may be less than 15 days but shall not be less than 3 days after the date of publication of the notice in the Federal Register.

(b) *Giving notice of hearing.* (1) Upon the filing of the notice of the hearing, the hearing clerk shall give or cause to be given notice of the hearing in the following manner:

(i) By publication of the notice of hearing in the Federal Register;

(ii) By mailing a true copy of the notice of hearing to each of the persons known to the Deputy Administrator, to be interested therein;

(iii) By issuing a press release containing the complete text or a summary of the contents of the notice of hearing and making the same available to such newspapers as reasonably will tend to bring the notice to the attention of the persons interested therein;

(iv) By forwarding copies of the notice of hearing addressed to the governors of such of the several States of the United States and to executive heads of such of

the Territories and possessions of the United States as the Deputy Administrator, having due regard for the subject matter of the proposal and the public interest, shall determine should be notified.

(2) Legal notice of the hearing shall be deemed to be given if notice is given in the manner provided by subparagraph (1) (i) of this paragraph; and failure to give notice in the manner provided in subdivisions (ii), (iii), and (iv) of subparagraph (1) of this paragraph shall not affect the legality of the notice.

(c) *Proof of the giving of notice.* Proof of the giving of notice (other than by publication in the Federal Register) shall be by the affidavit or certificate of the person giving the same. Such affidavit or certificate shall be filed with the hearing clerk and the filing thereof shall be noted on the docket of the proceeding. (Paragraph (b), in part, applies 7 U. S. C. 608c (17).)

§ 900.5 *Docket number.* Each proceeding, immediately following its institution, shall be assigned a docket number by the hearing clerk and thereafter the proceeding may be referred to by such number.

§ 900.6 *Presiding officers*—(a) *Assignment.* No presiding officer who has any pecuniary interest in the outcome of a proceeding shall serve as presiding officer in such proceeding.

(b) *Powers of presiding officers.* Subject to review by the Secretary, as provided elsewhere in this subpart, the presiding officer, in any proceeding, shall have power to:

(1) Rule upon motions and requests;
(2) Change the time and place of hearing, and adjourn the hearing from time to time or from place to place;
(3) Administer oaths and affirmations and take affidavits;
(4) Examine and cross-examine witnesses and receive evidence;
(5) Admit or exclude evidence;
(6) Hear oral argument on facts or law;
(7) Do all acts and take all measures necessary for the maintenance of order at the hearing and the efficient conduct of the proceeding.

(c) *Who may act in absence of presiding officer.* In case of the absence of the presiding officer or his inability to act, the powers and duties to be performed by him under this part in connection with a proceeding may, without abatement of the proceeding unless otherwise ordered by the Secretary, be assigned to any other presiding officer. (Applies 7 U. S. C. 610 (h).)

(d) *Disqualification of presiding officer.* The presiding officer may at any time withdraw as presiding officer in a proceeding if he deems himself to be disqualified. Upon the filing by an interested person in good faith of a timely and sufficient affidavit of personal bias or disqualification of a presiding officer, the Secretary shall determine the matter as a part of the record and decision in the proceeding, after making such investigation or holding such hearings, or both, as he may deem appropriate in the circumstances.

§ 900.7 *Motions and requests*—(a) *General.* All motions and requests shall be filed with the hearing clerk, except that those made during the course of the hearing may be filed with the presiding officer or may be stated orally and made a part of the transcript.

Except as provided in § 900.15 (b) such motions and requests shall be addressed to, and ruled on by, the presiding officer if made prior to his certification of the transcript pursuant to § 900.10 or by the Secretary if made thereafter.

(b) *Certification to Secretary.* The presiding officer may in his discretion submit or certify to the Secretary for decision any motion, request, objection, or other question addressed to the presiding officer.

§ 900.8 *Conduct of the hearing*—(a) *Time and place.* The hearing shall be held at the time and place fixed in the notice of hearing, unless the presiding officer shall have changed the time or place, in which event the presiding officer shall file with the hearing clerk a notice of such change, which notice shall be given in the same manner as hereinbefore provided in § 900.4 (relating to the giving of notice of the hearing): *Provided*, That, if the change in time or place of hearing is made less than 5 days prior to the date previously fixed for the hearing, the presiding officer, either in addition to or in lieu of causing the notice of the change to be given, shall announce, or cause to be announced, the change at the time and place previously fixed for the hearing.

(b) *Appearances*—(1) *Right to appear.* At the hearing, any interested person shall be given an opportunity to appear, either in person or through his authorized counsel or representative, and to be heard with respect to matters relevant and material to the proceeding. Any interested person who desires to be heard in person at any hearing under these rules shall, before proceeding to testify, state-

his name, address, and occupation. If any such person is appearing through a counsel or representative, such person or such counsel or representative shall, before proceeding to testify or otherwise to participate in the hearing, state for the record the authority to act as such counsel or representative, and the names and addresses and occupations of such person and such counsel or representative. Any such person or such counsel or representative shall give such other information respecting his appearance as the presiding officer may request.

(2) *Debarment of counsel or representative.* Whenever, while a proceeding is pending before him, the presiding officer finds that a person, acting as counsel or representative for any person participating in the proceeding, is guilty of unethical or unprofessional conduct, the presiding officer may order that such person be precluded from further acting as counsel or representative in such proceeding. An appeal to the Secretary may be taken from any such order, but the proceeding shall not be delayed or suspended pending disposition of the appeal: *Provided*, That the presiding officer may suspend the proceeding for a reasonable time for the purpose of enabling the client to obtain other counsel or other representative.

In case the presiding officer has ordered that a person be precluded from further acting as counsel or representative in the proceeding, the presiding officer, within a reasonable time thereafter, shall submit to the Secretary a report of the facts and circumstances surrounding such order and shall recommend what action the Secretary should take respecting the appearance of such person as counsel or representative in other proceedings before the Secretary. Thereafter the Secretary may, after notice and an opportunity for hearing, issue such order, respecting the appearance of such person as counsel or representative in proceedings before the Secretary, as the Secretary finds to be appropriate.

(3) *Failure to appear.* If any interested person fails to appear at the hearing, he shall be deemed to have waived the right to be heard in the proceeding.

(c) *Order of procedure.* The presiding officer shall have noted on the record his designation as presiding officer and the notice of the hearing as filed with the Division of the Federal Register. This shall be done by filing as an exhibit for the record a copy of the FEDERAL REGISTER containing such designation and such notice, or a duly certified copy of such designation and notice.

Evidence shall then be received with respect to the matters specified in the notice of the hearing in such order as the presiding officer shall announce.

(d) *Evidence*—(1) *In general.* The hearing shall be publicly conducted, and the testimony given at the hearing shall be reported verbatim.

Every witness shall, before proceeding to testify, be sworn or make affirmation. Cross-examination shall be permitted to the extent required for a full and true disclosure of the facts.

When necessary, in order to prevent undue prolongation of the hearing, the presiding officer may limit the number of times any witness may testify to the same matter or the amount of corroborative or cumulative evidence.

The presiding officer shall, insofar as practicable, exclude evidence which is immaterial, irrelevant, or unduly repetitious, or which is not of the sort upon which responsible persons are accustomed to rely.

(2) *Objections.* If a party objects to the admission or rejection of any evidence or to any other ruling of the presiding officer during the hearing, he shall state briefly the grounds of such objection, whereupon an automatic exception will follow if the objection is overruled by the presiding officer. The transcript shall not include argument or debate thereon except as ordered by the presiding officer. The ruling of the presiding officer on any objection shall be a part of the transcript.

Only objections made before the presiding officer may subsequently be relied upon in the proceeding.

(3) *Proof and authentication of official records or documents.* An official record or document, when admissible for any purpose, shall be admissible as evidence without the production of the person who made or prepared the same. Such record or document shall, in the discretion of the presiding officer, be evidenced by an official publication thereof or by a copy attested by the person having legal custody thereof and accompanied by a certificate that such person has the custody.

(4) *Exhibits.* All written statements, charts, tabulations, or similar data offered in evidence at the hearing shall, after identification by the proponent and upon satisfactory showing of the authenticity, relevancy, and materiality of the contents thereof, be numbered as exhibits and received in evidence and made a part of the record. Such exhibits shall be submitted in quadruplicate and in documentary form. In case the required number of copies is not made available, the presiding officer shall exercise his discretion as to whether said exhibits shall, when practicable, be read in evidence or whether additional copies shall be

required to be submitted within a time to be specified by the presiding officer. If the testimony of a witness refers to a statute, or to a report or document (including the record of any previous hearing) the presiding officer, after inquiry relating to the identification of such statute, report, or document, shall determine whether the same shall be produced at the hearing and physically be made a part of the evidence as an exhibit, or whether it shall be incorporated into the evidence by reference. If relevant and material matter offered in evidence is embraced in a report or document (including the record of any previous hearing) containing immaterial or irrelevant matter, such immaterial or irrelevant matter shall be excluded and shall be segregated insofar as practicable, subject to the direction of the presiding officer.

(5) *Official notice.* Official notice may be taken of such matters as are judicially noticed by the courts of the United States and of any other matter of technical, scientific or commercial fact of established character: *Provided*, That interested persons shall be given adequate notice, at the hearing or subsequent thereto, of matters so noticed and shall be given adequate opportunity to show that such facts are inaccurate or are erroneously noticed.

(6) *Offer of proof.* Whenever evidence is excluded from the record, the party offering such evidence may make an offer of proof, which shall be included in the transcript. The offer of proof shall consist of a brief statement describing the evidence to be offered. If the evidence consists of a brief oral statement or of an exhibit, it shall be inserted into the transcript in toto. In such event, it shall be considered a part of the transcript if the Secretary decides that the presiding officer's ruling in excluding the evidence was erroneous. The presiding officer shall not allow the insertion of such evidence in toto if the taking of such evidence will consume a considerable length of time at the hearing. In the latter event, if the Secretary decides that the presiding officer erred in excluding the evidence, and that such error was substantial, the hearing shall be reopened to permit the taking of such evidence.

§ 900.9 *Oral and written arguments*—(a) *Oral argument before presiding officer.* Oral argument before the presiding officer shall be in the discretion of the presiding officer. Such argument, when permitted, may be limited by the presiding officer to any extent that he finds necessary for the expeditious disposition of the proceeding and shall be reduced to writing and made part of the transcript.

(b) *Briefs, proposed findings and conclusions.* The presiding officer shall announce at the hearing a reasonable period of time within which interested persons may file with the hearing clerk proposed findings and conclusions, and written arguments or briefs, based upon the evidence received at the hearing, citing, where practicable, the page or pages of the transcript of the testimony where such evidence appears. Factual material other than that adduced at the hearing or subject to official notice shall not be alluded to therein, and, in any case, shall not be considered in the formulation of the marketing agreement or marketing order. If the person filing a brief desires the Secretary to consider any objection made by such person to a ruling of the presiding officer, as hereinbefore provided in § 900.8 (d), he shall include in the brief a concise statement concerning each such objection, referring where practicable, to the pertinent pages of the transcript.

§ 900.10 *Certification of the transcript.* The presiding officer shall notify the hearing clerk of the close of a hearing as soon as possible thereafter and of the time for filing written arguments, briefs, proposed findings and proposed conclusions, and shall furnish the hearing clerk with such other information as may be necessary. As soon as possible after the hearing, the presiding officer shall transmit to the hearing clerk an original and three copies of the trasncript of the testimony and the original and all copies of the exhibits not already on file in the office of the hearing clerk. He shall attach to the original transcript of testimony his certificate stating that to the best of his knowledge and belief, the transcript is a true transcript of the testimony given at the hearing except in such particulars as he shall specify; and that the exhibits transmitted are all the exhibits as introduced at the hearing with such exceptions as he shall specify. A copy of such certificate shall be attached to each of the copies of the transcript of testimony. In accordance with such certificate the hearing clerk shall note upon each copy of the transcript each correction detailed therein by adding or crossing out (but without obscuring the text as originally transcribed) at the appropriate place any words necessary to make the same conform to the correct meaning, as certified by the presiding officer.

§ 900.11 *Copies of the transcript.* A copy of the transcript shall be kept on file in the office of the hearing clerk, where it shall be available for examination during official hours of business, but such copy shall remain the property of the Department and may not be removed from said office.

If a personal copy of the transcript is desired, such copy may be obtained upon written application filed with the reporter, and upon payment of fees at the rate (if any) provided in the contract between the reporter and the Secretary.

§ 900.12 *Deputy Administrator's recommended decision*—(a) *Preparation.* As soon as practicable following the termination of the period allowed for the filing of written arguments or briefs and proposed findings and conclusions the Deputy Administrator shall file with the hearing clerk a recommended decision.

(b) *Contents.* The Deputy Administrator's recommended decision shall include: (1) A preliminary statement containing a description of the history of the proceedings, a brief explanation of the material issues of fact, law, or discretion presented on the record, and proposed findings and conclusions with respect to such issues as well as the reasons or basis therefor: (2) A ruling upon each proposed finding or conclusion submitted by interested persons, and (3) An appropriate proposed marketing agreement or marketing order effectuating his recommendations.

(c) *Exceptions to recommended decision.* Immediately following the filing of his recommended decision the Deputy Administrator shall give notice thereof, and opportunity to file exceptions thereto, to all interested persons in the same manner as provided in § 900.4 (relating to the giving of notice of the hearing). Within a period of time specified in such notice (to be fixed by the Deputy Administrator, but not to exceed 20 days) after the filing of the recommended decision with the hearing clerk, any interested person may then file with the hearing clerk exceptions to the Deputy Administrator's proposed marketing agreement or marketing order, or both, as the case may be, and a brief in support of such exceptions. Such exceptions shall be in writing, shall refer, where practicable, to the related pages of the transcript and may suggest appropriate changes in the proposed marketing agreement or marketing order.

(d) *Omission of recommended decision.* The procedure provided in this section may be omitted only if the Secretary finds on the basis of the record that due and timely execution of his functions imperatively and unavoidably requires such omission.

§ 900.13 *Submission to Secretary.* Upon the expiration of the period allowed for filing exceptions or upon request of the Secretary, the hearing clerk shall transmit to the Secretary the record of the proceeding. Such record shall include: all motions and requests filed with the hearing clerk and rulings thereon; the certified transcript; any proposed findings or conclusions or written arguments or briefs that may have been filed; the Deputy Administrator's recommended decision, if any, and such exceptions as may have been filed.

§ 900.13a *Decision by Secretary.* After due consideration of the record, the Secretary shall render a decision. Such decision shall become a part of the record and shall include (1) a statement of his findings and conclusions, as well as the reasons or basis therefor, upon all the material issues of fact, law or discretion presented on the record, (2) a ruling upon each proposed finding and proposed conclusion not previously ruled upon in the record, (3) a ruling upon each exception filed by interested persons and (4) either (i) a denial of the proposal to issue a marketing agreement or marketing order or (ii) a marketing agreement and, if the findings upon the record so warrant, a marketing order, the provisions of which shall be set forth directly or by reference, regulating the handling of the commodity or product in the same manner and to the same extent as such marketing agreement, which order shall be complete except for its effective date and any determinations to be made under § 900.14 (b) or § 900.14 (c): *Provided,* That such marketing order shall not be executed, issued, or made effective until and unless the Secretary determines that the requirements of § 900.14 (b) or § 900.14 (c) have been met.

§ 900.14 *Execution of marketing agreement and issuance of marketing order*—(a) *Execution of marketing agreement.* If the Secretary has approved a marketing agreement, as provided in § 900.13a, the Deputy Administrator shall cause copies thereof to be distributed for execution by the handlers eligible to become parties thereto. If and when such number of the handlers as the Secretary shall deem to be sufficient shall have executed the marketing agreement, the Secretary shall execute the same, and notice of its effective date shall be mailed by the hearing clerk to each person signatory thereto. A marketing agreement shall be effective and binding upon any party thereto even though such party may not have received the notice provided for in this paragraph, or the hearing clerk may have failed to mail such notice.

(b) *Issuance of marketing order with marketing agreement.* Whenever, as provided in paragraph (a) of this section, the Secretary executes a marketing agree-

ment, and handlers also have executed the same as provided in section 8c (8) of the act, he shall, if he finds that it will tend to effectuate the purposes of the act, issue and make effective the marketing order, if any, which was filed as a part of his decision pursuant to § 900.13a: *Provided*, That the issuance of such order shall have been approved or favored by producers as required by section 8c (8) of the act.

(c) *Issuance of marketing order without marketing agreement.* If, despite the failure or refusal of handlers to sign the marketing agreement, as provided in section 8c (8) of the act, the Secretary makes the determinations required under section 8c (9) of the act, the Secretary shall issue and make effective the marketing order, if any, which was filed as a part of his decision pursuant to § 900.13a.

(d) *Effective date of marketing order.* No marketing order shall become effective less than 30 days after its publication in the Federal Register, unless the Secretary, upon good cause found and published with the order, fixes an earlier effective date therefor: *Provided*, That no marketing order shall become effective as to any person sought to be charged thereunder before either (1) it has been filed with the Division of the Federal Register, or (2) such person has received actual notice of the issuance and terms of the marketing order.

(e) *Notice of issuance.* After issuance of a marketing order, such order shall be filed with the hearing clerk, and notice thereof, together with notice of the effective date, shall be given in the same manner as hereinbefore provided in § 900.4 (relating to the giving of notice of hearing).

§ 900.15 *Filing; extensions of time; effective date of filing; and computation of time*—(a) *Filing, number of copies.* Except as is provided otherwise herein, all documents or papers required or authorized by the foregoing provisions of this subpart to be filed with the hearing clerk shall be filed in quadruplicate. Any document or paper, so required or authorized to be filed with the hearing clerk, shall, during the course of an oral hearing, be filed with the presiding officer.

(b) *Extensions of time.* The time for the filing of any document or paper required or authorized by the foregoing provisions of this subpart to be filed may be extended by the presiding officer (before the record is certified by the presiding officer) or by the Deputy Administrator (after the record is so certified by the presiding officer but before it is transmitted to the Secretary), or by the Secretary (after the record is transmitted to the Secretary) upon request filed, and if, in the judgment of the presiding officer, Deputy Administrator, or the Secretary, as the case may be, there is good reason for the extension. All rulings made pursuant to this paragraph shall be filed with the hearing clerk.

(c) *Effective date of filing.* Any document or paper required or authorized by the foregoing provisions of this subpart to be filed shall be deemed to be filed when it is postmarked or when it is received by the hearing clerk.

(d) *Computation of time.* Sundays and Federal holidays shall be included in computing the time allowed for the filing of any document or paper; *Provided*, That, when such time expires on a Sunday or legal holiday, such period shall be extended to include the next following business day.

§ 900.16 *Discussion of issues, etc., of proceeding prohibited.* Except as may be provided otherwise in this subpart, no officer or employee of the Department shall, following the close of the hearing in a marketing agreement or marketing order proceeding and prior to the execution of a marketing agreement or the issuance of a marketing order therein, discuss the issues, merits, or evidence involved in the proceeding with any person interested in the result of the proceeding or with any representative of such person: *Provided, however*, That the provisions of this section shall not preclude an officer or employee who has been duly assigned to, or who has supervision over, a proceeding from discussing with interested persons or their representatives matters of procedure in connection with such proceeding. Insofar as the provisions of this section are inconsistent with the provisions of Regulation 1544 of the publication entitled "Regulations of the U. S. Department of Agriculture," the provisions of this section shall prevail.

§ 900.17 *Additional documents to be filed with hearing clerk.* In addition to the documents or papers required or authorized by the foregoing provisions of this subpart to be filed with the hearing clerk, the hearing clerk shall receive for filing and shall have custody of all papers, reports, records, orders, and other documents which relate to the administration of any marketing agreement or marketing order and which the Secretary is required to issue or to approve.

§ 900.18 *Hearing before Secretary.* The Secretary may act in the place and stead of a presiding officer in any proceeding hereunder. When he so acts the hearing clerk shall transmit the record to the Secretary at the expiration of the period provided for the filing of proposed findings of fact, conclusions and orders,

and the Secretary shall thereupon, after due consideration of the record, issue his final decision in the proceeding: *Provided*, That he may issue a tentative decision in which event the parties shall be afforded an opportunity to file exceptions before the issuance of the final decision.

HEARING EXAMINERS OF THE UNITED STATES DEPARTMENT OF AGRICULTURE DURING THE 3-YEAR PERIOD PRECEDING APRIL 20, 1955

Jack W. Bain: Entire period.
Glen J. Gifford: Entire period.
Will Rogers: Entire period.
John J. Curry: Entire period.
G. Osmond Hyde: Appointed August 24, 1953.
Earl J. Smith: Retired March 31, 1953.

Mr. HEIMBURGER. This question probably should be directed to Mr. Girard:

At the end of the first paragraph on page 15, you say:

all the terms of a proposed order must be based on the evidence presented at the public hearing.

Does that mean that the order cannot contain any matter which was not discussed during the course of the hearing?

Mr. GIRARD. We may put it this way: A particular provision of an order may not have specifically been discussed, but the factual information which would support such a provision must have been in that record.

Of course, the Secretary also takes official notice of certain general matters which may not have been specifically adverted to at the hearing, but if he does so, he must give all interested parties an opportunity to show the contrary by indicating that official notice has been taken of such facts in a recommended decision or a tentative decision.

Mr. HEIMBURGER. Suppose an order does contain some provisions which there appears to be no reference to at the hearing, nor any basis in testimony at the hearing, what remedy would an aggrieved person, a handler or a producer, have?

Mr. GIRARD. He would file a petition with the Secretary in which he would assert that that particular provision was invalid and request that it be stricken from the order. A hearing would be held upon that petition before a hearing examiner, such as we have just described.

And then, we have in the Department a judicial officer designated under the Schwellenbach Act, who is appointed by the Secretary and delegated the Secretary's responsibility in connection with these quasi-judicial duties, and he renders a decision on behalf of the Secretary, or as the alter ego of the Secretary, with respect to that petition.

In other words, they have a full-fledged hearing to determine whether the provisions are supported, or not, by the evidence in the hearing record. If the decision is adverse to the petitioner, he can appeal to the district court for review upon the basis of the record made before the Department of Agriculture.

Mr. HEIMBURGER. You mean, a hearing is held on every petition which is properly filed with the Department?

Mr. GIRARD. Yes, sir.

Mr. HEIMBRUGER. Would a consumer have any standing?

Mr. GIRARD. I doubt it. I doubt if a consumer would have. I think that, generally, he would have to have, I would judge, legal standing, as defined either in the common law or under the statute.

I think the consumer interest is protected by virtue of his participation in the hearing, and briefing and exceptions, which he is entitled to file under our rules of procedure. And then, the Secretary is supposed to protect the interests of that consumer in rendering any decision that is rendered, but since the impact of the regulation is not directly on the consumer, but rather upon the handler who buys milk from the producer, those are the two persons primarily concerned, insofar as the incidence of regulation is concerned.

The consumer interest is indirect in that there are many other considerations which affect the price that he has to pay for milk, other than the cost of the raw product which the handler has to pay.

Mr. ABERNETHY. Now, the consumer does not have the right of appeal just referred to?

Mr. GIRARD. That is my opinion.

Of course, we never have had a case in which a consumer has tried to appeal. In my judgment as an attorney, it would be that a consumer would not have standing to maintain such an action.

Mr. POAGE. I would like to ask what hearing binds the individual. You say that you cannot enter an order until there has been a hearing and evidence to support the elements of the order.

At what hearing? Must it be a hearing at which the interested parties have had notice?

Mr. GIRARD. That is right, sir.

Mr. POAGE. As I understand it, you can amend the order in one area by a hearing called for another area, with no notice whatever to the people in the area where you are going to amend their order.

Mr. GIRARD. No.

Mr. POAGE. Simply providing that there is testimony brought out in, let us say, B area, in a hearing called to revise the prices in B area, with no notice whatever to the people in A area—if there is testimony brought out in the hearing in B area that prices in A area should be changed, I understand you change them.

Mr. GIRARD. Well, may I explain it in this way:

We have a hearing with respect to an amendment of a specific order in a particular area. Notice is given to all of the interested people in that area, and we go to a hearing and recieve evidence with respect to the economic conditions in that area. Now, if the information in that area indicates a repercussion in some other area, then we go to the other area and have an amendment hearing on that particular program, but we do not amend an order in, say, Dallas, Tex., by virtue of the hearing held in St. Louis, Mo.

We would have to go to Dallas, Tex., and have a specific hearing on specific proposals relating to the Dallas order.

There is this exception: Because of the method of fixing prices in some of the midwestern areas and the importance of Chicago, let us say, we have to have a relationship between Chicago and Rockford-Freeport, Ill., for example. You cannot have those prices out of alinement.

So as a result, in some of the markets surrounding Chicago we have fixed a price which is a differential over the Chicago price.

In that circumstance, if we amend the Chicago order price, naturally we do affect the prices in these other areas which are tied in to the Chicago price, but when we do that we let the people in the satellite areas, you might say, know what is being done in Chicago and invite

them to request a hearing in those areas, if they feel that as the result of any change in Chicago something should be done with respect to the differential which affects the price in the local market.

Mr. POAGE. Then, as I understand that, you cannot legally affect the price in A area by a hearing held in B area in which no notice was given in A area?

Mr. GIRARD. That is right, except as indicated with respect to Chicago.

Mr. POAGE. The B area is you base price?

Mr. GIRARD. That is right; that is correct.

Mr. ABERNETHY. If there are no further questions on that point, you may proceed.

Mr. FOREST. At the close of the hearing, interested persons are given an opportunity to file briefs on the issues and subject matter of the hearing.

Mr. ABERNETHY. Who are the "interested persons"?

Mr. FOREST. The producers, the consumers, and the handlers.

Mr. ABERNETHY. Actually, now the consumer is more or less a bystander there, is he not?

Mr. FOREST. No. We have consumer testimony received at these public hearings.

Mr. ABERNETHY. But the purpose of the notice of the hearing is not necessarily to notify the consumer. It is to notify the producer and the handler.

Mr. FOREST. That is right. It is a public notice, of course. We do have consumer representatives that appear.

Mr. ABERNETHY. I am sorry that I interrupted you so soon.

You may proceed.

Mr. FOREST. If I may insert here, the briefs are not to present any new evidence. The briefs are only to point up evidence which has been put in at the public hearing.

Mr. ABERNETHY. I understand.

Mr. FOREST. So normally, the people who file a brief are those who have appeared at the public hearing and wish to point up the evidence which they have put into the hearing.

If the evidence of the records supports the issuance of an order, the recommended decision contains a statement of the need for an order, the extent of interstate commerce, and the evidence and reasons which underlie each of the terms and conditions of the recommended order.

Mr. WATTS. Who renders the recommended decision; the examiner?

Mr. FOREST. The recommended decision is issued by the Deputy Administrator of the Agricultural Marketing Service at the present time.

I might also insert here that when the hearing is closed there is a regulation in the Department that there shall be no discussions by any employee of the Department with any of the interested people with respect to any of the issues contained in the public hearing.

The recommended order shows the detailed provisions of the proposed regulation. The purpose of the recommended decision and order is to give a preliminary view of the Department's appraisal of the facts and evidence of the hearing record and of the particular terms and conditions which the Department believes should be contained in the regulation.

Mr. ANDRESEN. Do you cover in here how the orders are voted on by the producer?

Mr. FOREST. Yes; that is on the next page.

Mr. ABERNETHY. As I understand your statement, you cover all of the procedures step by step; that is what you propose to do?

Mr. FOREST. Yes, sir.

Mr. ABERNETHY. That will probably answer a lot of the questions.

Mr. FORCE. Yes, sir.

Interested persons may then file exceptions to the recommended decision and order and, on the basis of these exceptions and a further review of the hearing record, a final decision and order are prepared. This final decision states facts, evidence, and reasons for each of the provisions of the marketing order.

A proposed order is presented to producers for their approval. Producers are required to approve all amendments as a group. They may not pick and choose only those which they prefer. Whenever the Secretary approves substantial changes on the basis of a hearing record, the rejection of such changes by referendum would create the presumption that the order in the absence of such changes would not tend to effectuate the purposes of the act. The requirement that producers must approve the order in the terms which the Secretary of Agriculture has approved it assures the public and all interested persons that any such order provides only provisions which are in the public interest.

Usually producer approval is determined by a ballot box referendum in the case of a new order and a mail referendum for amendments to existing orders. If the producer approval is obvious as in the case of an amendment increasing the price, or if cooperative associations representing the required percentage of all producers in the market register their approval of the amendment the referendum may be omitted. The Marketing Agreement Act provides expressly that bona fide cooperative associations of producers may cast a single ballot for their entire membership eligible to vote on a proposed order.

In which case, the Secretary is required to consider that as one vote for all of the members.

Mr. ANDRESEN. In other words, in a case of where we have a large producer cooperative organization with 1,000 producers, the board of directors of that cooperative organization may cast a vote as a board of directors and determine for the entire group without conducting a referendum among the members of that organization?

Mr. FOREST. If it is a bona fide cooperative association and they have conducted their business in accordance with their bylaws, that would be so. Whether or not the board of directors has that authority we would have in each case to look into the bylaws to see.

Prior to the issuance of an order or an amendment, the Secretary may find that such order is approved by two-thirds of the producers by number or volume of production, who supplied the market during a designated representative period. If the order established an individual-handler pool the percentage of producers approving the order must be at least 75.

The Marketing Agreement Act requires that handlers be given an opportunity to sign a marketing agreement in which terms and provisions are contained similar to those in a milk order. Most handlers

fail or refuse to sign such marketing agreements. Therefore, this procedure is a legal formality with little significance in the program.

In the next section we have tried to go through a milk order, taking the provisions which would normally be in a milk order, and to describe what they are.

Milk orders are legal instruments which establish the terms of sale under which handlers purchase milk from farmers primarily for sale to consumers in city markets. There are about a hundred separate provisions in most milk orders which define who is obligated under the order and the exact terms of the obligation.

Marketing area: The definition of the marketing area is the first important term of an order. The regulation of a milk order applies to the purchase of milk for sale in a designated market area. For example, the Chicago sales area includes the surrounding cities of Waukegan, Barrington, Elgin, and Aurora, Ill., and Hammond and Gary, Ind., as well as smaller cities and towns in the adjacent territory. The north Texas sales area includes the cities of Dallas and Fort Worth and extends to smaller cities and town in an area about 125 miles from the northern to the southern boundary and about the same distance east and west.

The marketing area is designed to include all of an area where the same milk dealers compete with each other for sales of milk, and where such milk must meet essentially the same sanitary inspection standards. Since only handlers doing business within the defined area must pay the minimum prices it is important to draw the boundary line at points where there are relatively few route sales moving across the boundary. This objective has become increasingly difficult to attain in recent years as the fluid milk distribution business has expanded over wider areas, with considerable overlapping of delivery routes. Improved refrigeration and transportation and the paper package have encouraged this expansion of sales areas.

Handler: A handler is a milk dealer who handles milk that is subject to the regulation of an order. In general, he is a person who buys milk from farmers which is delivered to a city plant, or who purchases milk at a country receiving plant and transfers it to the city for sale in fluid products. If handlers all did business in the same way and if the marketing area boundary could be drawn at the exact point where route sales end, the definition of a handler and the application of order regulation would be a relatively simple matter. All handlers would be completely regulated and pay the minimum established prices for all milk bought from farmers.

The handling of milk for fluid markets, however, does not fit one mold, and the regulation, if it is not to stifle normal economic development, must recognize the characteristics of the industry.

With the large interchange of milk between markets, it has become increasingly important to develop a plan of partial regulation for handlers who do only a small part of their business in a particular marketing area. Thus handlers now are defined as either:

(1) Fully regulated (they pay class prices for all milk purchased from farmers);

(2) Partially regulated (they pay a compensatory charge on class I milk sold inside the area); or

(3) Exempt (they report but make no payments).

Fully regulated handlers are those whose principal business is handling milk for fluid sales in the marketing area. Partially regulated handlers are those who, because their principal business is in another area, would experience an economic disadvantage by full regulation. Exempt handlers include small operators such as producer-handlers (that is, who sells only the milk he produces himself), and in some cases handlers who operate only one route in an area.

Exempt milk also includes in most areas emergency supplies needed by the fluid market under special circumstances. Exempt emergency milk was common in nearly all markets during the wartime shortages. Now the need for emergency supplies is largely limited to the Oklahoma and Texas markets where the supply of milk approved by local authorities has been insufficient to supply fluid sales, particularly in the short production months.

Producer: A producer is a dairy farmer who delivers to a fully regulated handler milk approved for sale as fluid whole milk in the respective market.

Classified pricing: An order establishes prices by classes according to how the milk is used. Because milk is perishable and subject to contamination there is extra cost of sanitary control on the farm, such as expense of refrigeration and necessity of frequent delivery. Because it is bulky there is high cost involved in hauling it to the market. This makes milk for fluid purposes cost more than milk for manufacturing purposes and a higher price must be paid for it if it is to be provided to the market.

Also, sales of fluid milk are fairly even the year around, while production is seasonally higher in the spring than in the fall. When producers deliver enough fall milk to meet fluid consumption, they generally have an excess of milk in the spring months. Thus, milk used for fluid consumption is priced separately under a marketing order at a higher level, and the remainder is priced in line with the lower value of the manufactured dairy products made from such milk.

Of the 56 market orders in effect today, 40 establish only 2 use classifications: (1) class I, the primary fluid use, and (2) class II, all other products. Of the remaining 16 markets, 3 separate price classifications are established in 11 markets. There are 4 markets, New York, Milwaukee, Chicago, and Cincinnati, which have 4 price classifications. The Cleveland order presently establishes five separate price classes, although it was recommended recently that the number of classes in this market be reduced.

Class I fluid uses generally include whole milk and modified fluid milk products such as flavored drinks, buttermilk, and concentrated milk, which must be produced from locally approved milk. In most markets fluid use also includes sweet and sour cream sold for consumption as cream. However, the New England markets, Philadelphia, Detroit, and Cleveland accept cream for fluid use from sources which are not approved as sources for whole milk to be sold for fluid consumption. In these markets cream is not classified as a fluid sale item.

All fluid sales items which must be produced from fully approved milk are priced at approximately the same figure at the point at which they are delivered by farmers. This principle is maintained even in markets like New York and Chicago where fluid cream is defined in a separate class and is accounted for in terms of the milk equivalent of

butterfat in the cream. In these markets the value of the cream plus the value of skim milk sold in fluid items approximately equals the price of Class I whole milk. In a market like Kansas City the accounting system achieves that result by accounting for the cream and skim items in terms of the actual weight of each product.

Levels of class prices: The policy to be followed in pricing milk under Federal milk orders was established by the Congress and is stated expressly in the Agricultural Marketing Agreement Act. The act directs the Secretary of Agriculture to establish milk prices which insure a sufficient quantity of pure and wholesome milk and are in the public interest.

The considerations involved in establishing class I prices and surplus class prices, and the resulting effect upon uniform prices to producers, must all be appraised in the light of the declared policy. Each price makes its contribution to the overall objectives.

Mr. ANDRESEN. Will you cite the particular section of the act which provides that?

Mr. GIRARD. 8c (18).

That is 7 United States Code 608c (18) in the code.

Mr. FOREST. 8c (18) is quite a famous provision.

Class I prices: The primary standard for establishing class I prices under the act is the concept of equating the supply with the demand for milk in the marketing area. The "price of feeds, the available supplies of feeds, and other economic conditions" referred to in the act are taken into account as they affect prospective market supply and demand conditions. The "public interest" is served by an adequate supply in terms of a reasonable price.

Formula pricing plans have been developed to establish and maintain class I prices in accordance with these objectives. With rapidly changing price levels for other commodities and frequent shifts in supply and demand conditions in the market, some mechanism for achieving timely adjustments to changing market situations is necessary. Prices related to well-known measures of changing economic conditions in pricing formulas have proved helpful in achieving such adjustments.

There are many factors which affect the production and sale of milk in fluid milk markets. Many of these are not measurable directly, but some of the more important factors are reflected in price series or indexes which are available on a currently published basis. Formula pricing has been developed on a local or regional basis, for one market or a group of closely related markets, to reflect the factors which are considered most important in the particular market or region and for which measures can be obtained.

The class I formulas in current use are of two general types. In certain northeastern and southern markets "economic formulas" relate fluid milk prices to selected economic factors. As an example, in the New England markets these factors relate the milk price to certain costs of production, to changes in per capita disposable income in New England, and changes in the general level of wholesale prices of nearly 900 commodities.

In Midwest markets, so-called manufacturing milk formulas are used. Formulas of this type relate the price of class I milk to market prices of manufactured dairy products or the value of milk for manufacturing purposes. Specified differentials are added to manu-

facturing values to account for the additional cost of producing inspected milk and the other special economic conditions which influence prices for milk in city markets. These added differentials are designed to equate the supply and demand for inspected milk in the regulated market.

Mr. ANDRESEN. The formula that you have just mentioned as being used in the Midwest was the original formula that was used over the country, to begin with, was it not, where the price that was fixed was based upon the manufacture of products, that is, the relationship of the fluid milk to the manufactured products. And then the change took place here in recent years?

Mr. FOREST. During the early 1930's there were no formulas in effect. The way that the prices were fixed and established was a fixed price without any specific relationship to any specific factor.

We would, for example, in the Boston market go to a hearing as to whether the price should be $4 on all of the factors discussed at the public hearing, and then price would be put in that order, specific $4, and that would continue until we went to another public hearing and put in a different price.

So in those markets there was no formula at all. It was a fixed price for class I milk.

Mr. ANDRESEN. Was that under the existing law?

Mr. FOREST. There was no formula in Boston until 1941, approximately, or 1942. 1948 was the first time an economic formula was put into the Boston order.

Mr. ANDRESEN. I was under the impression that you tied in the price fixing in the marketing areas with the price of butter. That was one of the important factors.

Mr. FOREST. That is an important factor, but that was not spelled out in the orders in the 1930's. There was a fixed-price procedure, and that fixed price would be changed only after a public hearing.

Mr. ANDRESEN. But now you have changed that modus operandi to take into consideration economic factors in the particular area?

Mr. FOREST. That is right.

Mr. ANDRESEN. And you mentioned the economic factors that you take into consideration. Do you mention those in your statement?

Mr. FOREST. I think that those paragraphs which I have just described indicate the factors which the formulas take into consideration in establishing those prices. In order to pick out a formula for a particular market that will be effective, we have to decide that on the basis of evidence at a public hearing. And on the basis of that evidence, then a certain type of formula is recommended for that area.

Mr. ANDRESEN. You may set up a new formula, then, for each area?

Mr. FOREST. Yes, sir; that is right; based on the evidence received at that local area public hearing.

Mr. ANDRESEN. Is that provided for in the law?

Mr. FOREST. Yes; I think it is, sir.

Mr. ANDRESEN. Will you give that section of the law?

Mr. FOREST. I think that same section. We could cite 8c (18).

Mr. GIRARD. I might also cite 7 United States Code 608c (5), which contains the provisions which may be included in a milk order. And those provisions are that you classify milk and fix or provide a method for fixing a price for each use classification.

Mr. ANDRESEN. I am interested in that economic formula that is referred to here. I would like to have the different factors of that economic formula that are the factors that make it up.

Mr. GIRARD. The act provides that the prices fixed must reflect the cost of feed, the available supplies of feed, other economic conditions affecting the supply and demand for milk in a particular area. Such prices must insure a sufficient supply of pure and wholesome milk, and be in the public interest.

Those are the enumerated factors in the act itself. And the prices fixed by the Secretary must reflect those factors.

Mr. ABERNETHY. You say they must reflect the price of the feed. When the price is fixed, if the price of feed goes up or down, does the price of the finished product go up and down with it?

Mr. FOREST. Yes.

The price of feed and available supplies of feed would be reflected in the manufacturing price—that is the base, the manufacturing price. And, of course, we would indicate that that price would reflect those conditions.

Mr. ABERNETHY. But if it changed from time to time in the course of production—if it goes up, after this finding has been made which fixes the price at a certain figure, reflecting all of these various costs, then later if the price of the feed and any other thing that goes into producing that product—if it goes up, does the price of the finished product go up with it?

Mr. FOREST. You mean the price which the consumer pays?

Mr. ABERNETHY. Yes.

Mr. FOREST. That is not fixed in the Federal order.

Mr. ABERNETHY. Only the price of manufacture?

Mr. FOREST. Only the minimum price which the dealer pays to the farmer is fixed. That is the only price that is fixed in the Federal order.

If I might just finish—if we have formula in effect that does not continue always. If it looks as though that formula is not reflecting supply-demand conditions in a local area; for example, if the cost of production seems to go up in a particular area relative to other areas, so that it seems to be affecting the supply more adversely than you would expect, we always go to a public hearing and the producers keep pretty much on their toes to get us there.

Mr. ABERNETHY. I want to see if I understand this. The price that you have reference to is fixed. That is the price to the handler, that is right?

Mr. FOREST. Yes.

Mr. ABERNETHY. And that price is based upon the various factors that go into the cost of production and a fair profit to the farmer?

Mr. FOREST. That is right. It is a price which reflects the standards in the act.

Mr. ABERNETHY. As of the day they find that the cost of production is so many dollars or so many cents—they base that on the cost of feed and many other things that go into production cost. And so they fix the price. Now, let us say 6 months from now that cost of production has changed, either up or down. It makes no difference. But it changes. Does the price to the handler change? Is there a new hearing or a new finding or a new price fixing?

Mr. FOREST. Well, it would change only to the extent that increased cost of production changed the actual amount of milk which was delivered to the market. If we had, for example, a price in there, and the cost went up, we would expect if the price did not change, that the supply of milk would go down.

Mr. ABERNETHY. But there is no automatic change?

Mr. FOREST. Yes; because what we do is to take the price which is paid for manufacturing milk in the Middle West. These condenseries are unregulated, and their prices change every month as economic conditions change, and as their price of milk changes, the price of milk, for example, in Jackson, Miss., will change to the same extent, either up or down.

Mr. ABERNETHY. Who makes the change?

Mr. FOREST. That is in the formula itself. The order itself will say to the handler, "This is the minimum price you must pay to your farmers for milk received this month."

That changes every month, depending on the change in these conditions.

Mr. ANDRESEN. I would like to have you put something in the record so that we can get it clear. What is the class I price in the Boston market?

Mr. FOREST. As of February it was $5.65 for milk of 3.7 butterfat content.

Mr. ANDRESEN. What is the blend price that the producer receives?

Mr. FOREST. The blend price for it was $4.69 for 3.7.

Mr. ANDRESEN. Will you place into the record the different factors and the weight given each one which made up this class I price on milk?

Mr. FOREST. Yes, sir.

(The information requested is as follows:)

CLASS I PRICE FORMULA COMPUTATIONS, BOSTON AND NORTH TEXAS

(Prepared by Dairy Division, Agricultural Marketing Service, United States Department of Agriculture)

The attached computations of the Boston and north Texas class I prices demonstrate how the published prices and indexes related to other commodities are translated into the local class I price. The computations show also how the local supply of milk relative to local class I sales directly affects the price.

In the Boston class I price computation the index of wholesale commodity prices reflects general changes in the price level of all commodities. The grain-labor index reflects changes in the average levels of prices paid for dairy feeds and farm labor in New England. The disposable income factor indicates whether consumers have more or less money to spend. The simple average of these indexes gives a composite of these factors. Wholesale prices and feed prices are lower now than they were in 1951. All of the other factors are higher. The average of the factors would yield a 3 percent higher basic price before the supply-demand adjustment of minus 10 percent. The net result is a price 93 percent of the 1951 base.

We have been asked to explain how production costs, particularly dairy feed prices affect the class I price. In this type of formula the level of dairy feed prices is taken as one of the index factors to move the basic price. Grains sold wholesale are included in the wholesale commodity price index and would have some influence through that factor. The class I price is affected in a greater degree however by the indirect influence of cost factors as they influence the supply. If cost factors increase and other factors remain constant the supply will tend to decline. This is particularly true where drought ruins pastures or the hay supply. If class I sales continue at about the same level, the reduced supply would call for an increase in price through the supply-demand adjustment factor.

The class I formula used in the north Texas market is based on manufacturing milk prices with a so-called fluid differential added. The basic formula manufacturing milk prices are those actually paid at unregulated milk manufacturing plants which condense milk in the Midwest or manufacture milk in Texas. The butter-powder formula is a computed estimate of what manufacturing plants would pay at a given level of prices for butter and nonfat solids. These prices represent what buyers voluntarily pay to get the milk to keep their plants in operation. In determining such prices we would normally expect buyers to take into account the inducement necessary to maintain their supply. If a short crop of grains indicates a national shortage of feeds we would expect that to be reflected in the pay prices at these plants.

If local conditions affect the supply, such as in the case of a drought, the supply-demand factor would raise the price automatically. In fact, if the basic formula fails for any reason to reflect the factors which influence the supply of milk producers will deliver at the established prices or, if the supply does not move in line with market sales, the supply-demand factor goes into operation. In the north Texas computation, the influence of this factor raised the March price 9 cents per hundredweight. In the Boston computation, it reduced the price 58 cents.

COMPUTATION OF BOSTON CLASS I PRICE FOR MARCH 1955

[Price per hundredweight for 3.7 percent milk]

Economic indexes (1951=100)

United States wholesale commodity prices		96.41
New England consumer income		109.30
Grain-labor index:		
Dairy ration	96.83×60 percent=58.098	
Farm wages	115.42×40 percent=46.168	
		104.27
Simple average		103.33

Supply-demand adjustment [1]

	Class I (1,000 pounds) (A)	Normal class I percentage (B)	Normal supply needed (A÷B) (C)	Actual supply (1,000 pounds) (D)	Actual as percent of normal (D÷E) (E)
December 1954	105,300	77.8	135,347	146,667	108.4
January 1955	104,062	76.9	135,321	152,572	112.7
Average					[2] 110.6

[1] The adjustment is computed on total class I sales and total receipts in 4 markets—Boston, Springfield, Worcester, and Merrimack Valley.

[2] This factor calls for—

Reducing economic index by 10 percent	93.00
Seasonal factor for March 100 percent	93.00
Economic index adjusted by supply-demand and seasonal factors times base price of $5.61	$5.217

Schedule for determining class I price

	Actual price, 201–210-mile zone
Unbracketed price:	
At least $4.88 but less than $5.10	$4.99
At least $5.10 but less than $5.32	5.21
At least $5.32 but less than $5.54	5.43

COMPUTATION OF NORTH TEXAS CLASS I PRICE FOR MARCH 1955

[Price per hundredweight for 4 percent milk]

Manufacturing milk price base

Midwest condensary price (February)			$3.464
Local manufacturing plant price (February)			3.350
Butter-powder formula:			
Chicago butter (per pound)	$0.57388		
Processor allowance	−.03		
Total	.54388		
Yield per 100 pounds milk	×4.8		
		$2.6106	
Nonfat dry milk solids, Chicago area:			
Spray (per pound)	.1538		
Roller (per pound)	.1376		
Simple average	.1457		
Processor allowance	−.055		
Total	.0907		
Yield per 100 pounds milk	×8.16		
		.7401	
			3.3507

Application of base to class I

Highest of manufacturing milk formulas		3.464
Add market fluid differential		2.00
Add supply-demand factor		.09
Total		5.554

Supply-demand factor

Receipts from producers, December 1954 and January 1955 (pounds)	118,793,757
Class I sales, December 1954 and January 1955 (pounds)	102,966,077
Receipts plus class I sales (percent)	115
Normal receipts plus class I: 118 percent minus 120 percent.	
Adjustment for 3 percentage points below normal—add	$0.09

Mr. ABERNETHY. Mr. Watts has a question.

Mr. WATTS. As I understand the situation, in adopting this order, you do not set a price on milk, you just set a formula. The operation of which automatically sets the price of milk. Is that correct?

Mr. FOREST. Yes, sir.

Mr. WATTS. What supervision do you exercise over the handling part of it to see that this change in the price is reflected in the price paid?

Mr. FOREST. Every month he reports to the local market administrator the amount of milk which he has received from farmers and how it was utilized. On the basis of that report the market administrator takes the amount he put into bottles, multiplies it by the class I price fixed and for the amount of surplus, multiplies by the surplus price. That is the total amount of money which he must pay for his milk. And the market administrator will audit his payroll to see that he has paid that to the farmers every month.

Mr. WATTS. That is audited every month?

Mr. FOREST. Yes.

Mr. WATTS. He makes his payments after the audit?

Mr. FOREST. He makes his payment—well, he makes it right away, and then we audit subsequently. If we find that he did not pay the full value, then we make him make it up.

Mr. WATTS. Then the price to the producer, that is the farmer, might vary each month?

Mr. FOREST. It will change every month.

Mr. WATTS. Up or down?

Mr. FOREST. That is right.

Mr. ABERNETHY. Will you proceed, Mr. Forest?

Mr. FOREST. Although formulas of these types are effective in bringing about many of the price changes needed in fluid-milk markets, developments in the production of milk and market sales often require changes in the relationships between milk prices and the selected series. An indicator which has helped to call attention to the need for such adjustments in pricing methods is the comparison of class I sales with the total supply of producer milk available in a current period, as compared to some normal or standard relationship of class I sales to supply.

In recent years, many of the class I pricing formulas have been amended to incorporate such an indicator which operates automatically to reduce the class I price when supplies are excessive, and to raise the class I price when supplies are inadequate in relation to market requirements. These automatic provisions have been termed "supply-demand adjusters." The type of class I price formula and whether or not a supply-demand adjuster is used is indicated for each market on table 6.

(Table 6 is as follows:)

TABLE 6.—*Federal order markets in which class I price is determined by specified types of formulas, Apr. 1, 1955*

Market	Manufactured milk value	Economic index	Automatic supply-demand factor
Akron	X		[1] X
Appalachian	X		
Austin-Waco, Tex	X		[1] X
Black Hills	X		
Boston		X	X
Cedar Rapids-Iowa City	X		
Central Mississippi	X		
Central West Texas	X		[1] X
Chicago	X		X
Cincinnati	X		X
Cleveland	X		X
Columbus	X		X
Dayton-Springfield	X		X
Detroit	X		X
Dubuque	X		
Duluth-Superior	X		
Fall River		X	[1] X
Fort Smith	X		
Fort Wayne	X		X
Kansas City	X		X
Knoxville	X		X
Lima	X		[1] X
Louisville	X		
Memphis	X		X
Merrimack Valley		X	[1] X
Milwaukee	X		X
Minneapolis-St. Paul	X		[1] X
Muskegon	X		
Nashville	X		X
Neosho Valley	X		[1] X
New Orleans		X	X
New York		X	X
North Texas	X		X
Oklahoma City	X		X
Omaha-Lincoln-Council Bluffs	X		
Ozarks	X		[1] X
Paducah	X		
Philadelphia		X	
Puget Sound	X		
Quad Cities	X		
Rockford-Freeport	X		[1] X
St. Louis	X		X
San Antonio		[2] X	X
Shreveport, La	X		
Sioux City	X		
Sioux Falls-Mitchell	X		
South Bend-La Porte	X		X
Southwest Kansas	X		
Springfield, Mass		X	[1] X
Stark County, Ohio	X		X
Toledo	X		X
Topeka	X		[1] X
Tristate: Kentucky, Ohio, West Virginia	X		X
Tulsa-Muskogee	X		X
Wichita	X		
Worcester		X	[1] X

[1] Class I price is limited by price in another market which has a supply-demand factor.
[2] Index formula is limited in application by a manufacturing milk formula.

Compiled by the Dairy Division, AMS.

Mr. FOREST. Although class I prices in markets having economic type formulas are not directly related to manufacturing milk prices, they tend to move in general alinement with such prices. The data contained in figure 1 indicate that prices of fluid and manufacturing milk tend to move in the same direction at the same time but that fluid prices do not fluctuate as widely as manufacturing prices. The attached figure 2, which compares class I price changes in markets—Boston, New York, New Orleans, Fall River, and Merrimack Valley—where economic index formulas are used and in markets—Chicago, Dubuque, Fort Wayne, Kansas City, Louisville, Omaha-Lincoln-Council Bluffs, Quad Cities, South Bend-LaPorte and Toledo—where manufacturing milk values determine price changes, indicates that the economic index type of formula also avoids the wider price fluctuations brought about by the formulas based on manufacturing milk values.

(Figure 2 is as follows:)

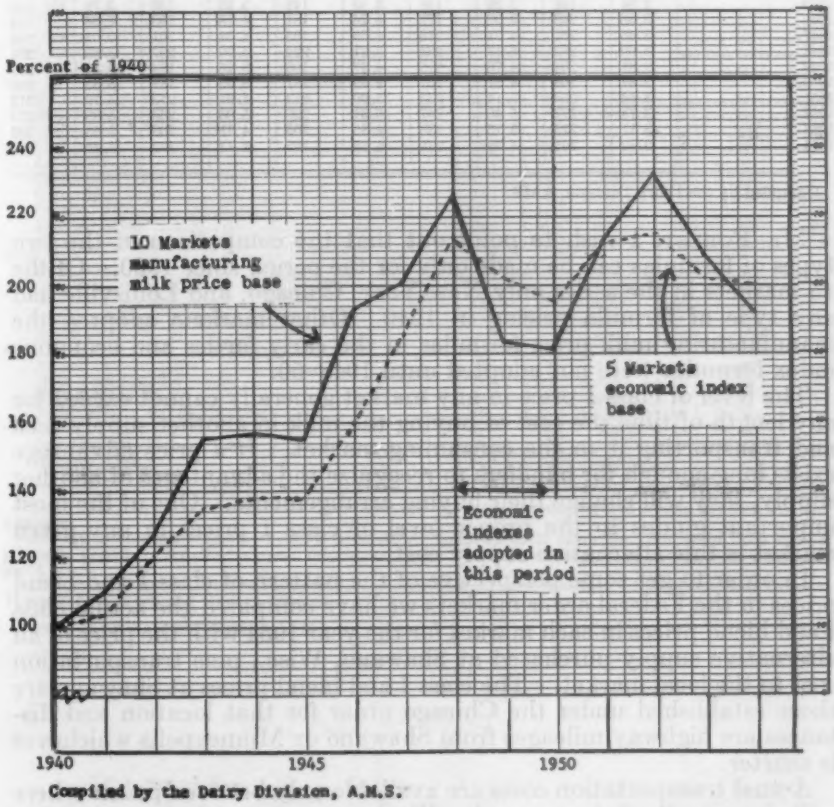


FIGURE 2.—Class I prices in 10 markets where price is now determined by a formula based on manufacturing milk value and in 5 markets where price is determined on economic index base.

Data used in constructing figures No. 1 and No. 2

[Indexes calculated as percent of 1940]

Year	Figure No. 1						Figure No. 2			
	United States condenseries		United States fluid-buying price		Federal order class I (15 markets)		Manufacturing milk price base (10 markets)		Economic index base (5 markets)	
	Price	Index	Price	Index	Price	Index	Price	Index	Price	Index
	Dollars	*Percent*	*Dollars*	*Percent*	*Dollars*	*Percent*	*Dollars*	*Percent*	*Dollars*	*Percent*
1935	1.35	98	2.05	93						
1936	1.56	113	2.13	96						
1937	1.57	114	2.32	105						
1938	1.25	91	2.26	102						
1939	1.24	90	2.17	98						
1940	1.38	100	2.21	100	2.35	100	2.16	100	2.73	100
1941	1.81	131	2.40	109	2.53	108	2.38	110	2.83	104
1942	2.08	151	2.79	126	2.93	124	2.74	127	3.30	121
1943	2.61	189	3.16	143	3.46	147	3.34	155	3.68	135
1944	2.66	193	3.24	147	3.51	149	3.38	157	3.77	138
1945	2.63	191	3.26	148	3.49	148	3.35	155	3.76	138
1946	3.36	243	3.92	177	4.24	181	4.18	193	4.38	160
1947	3.46	251	4.71	213	4.59	195	4.34	201	5.08	186
1948	3.90	283	5.17	234	5.21	222	4.90	227	5.85	214
1949	2.81	204	4.76	215	4.47	190	3.95	183	5.52	202
1950	2.87	208	4.57	207	4.39	187	3.92	181	5.33	195
1951	3.53	256	5.14	233	5.00	213	4.61	213	5.79	212
1952	3.74	271	5.46	247	5.31	226	5.03	233	5.89	215
1953	3.11	225	5.15	233	4.85	206	4.51	209	5.53	202
1954	2.82	204	4.88	221	4.58	195	4.13	192	5.46	200

Compiled by the Dairy Division, AMS.

Mr. FOREST. I wish to point out that the comparison of the two types of formulas can be made only for the period since 1950. Of the 15 markets in the series only New York, Chicago, and Louisville had any type of formula pricing in 1940. Other markets adopted the manufacturing milk price formulas in the early forties and economic index formulas were not adopted until 1948–50.

The level of class I price in any market generally cannot exceed for any length of time the cost of buying the milk in another supply area and transporting it to the consuming market. If a price advantage exists long enough for handlers to recognize the advantages of another supply, they will change their buying arrangements. One of the most important guides to the proper level of class I prices in any given market is this alternative supply cost.

In order to get some perspective of the pattern of class I and blend prices in the Federal order markets we have compared the actual class I and blend prices in each market for the year 1954 with the price of an alternative supply purchased at Shawano, Wisc., plus transportation cost to the local market. The class I and blend prices at Shawano are those established under the Chicago order for that location and distances are highway mileages from Shawano or Minneapolis whichever is shorter.

Actual transportation costs are available only between points where milk is actually being moved. We have estimated transportation cost according to a schedule of rates published by large dairy transport firm doing business in Wisconsin. These mileage rates have been applied in calculating comparative costs in the different Federal order markets and the results are shown in table 7.

(Table 7 is as follows:)

TABLE 7.—*Annual average class I and blend prices in Federal order markets, per 100 pounds of milk containing 3.5 percent butterfat (f. o. b. marketing area except where mileage is indicated) grouped by zones* [1] *and compared with prices under Chicago order applicable at Shawano, Wis., plus estimated transportation cost to designated market* [2], *1954*

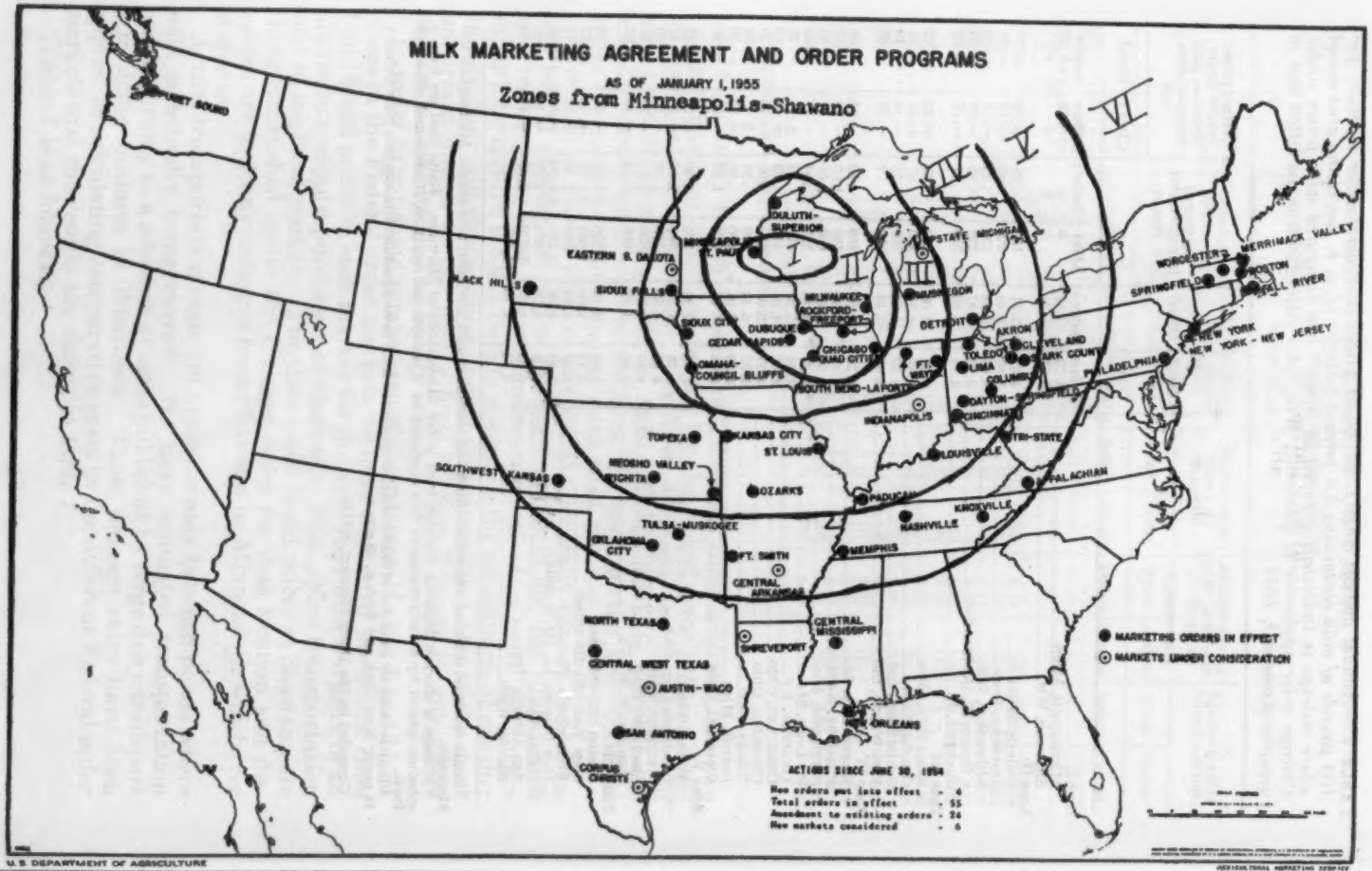
City market	Class I	Blend	Estimated transportation cost		Actual price over or under Shawano, plus transportation cost	
					Class I	Blend
Zone I:	*Dollars*	*Dollars*	*Miles*	*Dollars*	*Dollars*	*Dollars*
Minneapolis, Minn.	3.73	3.62	0	0	+0.22	+0.37
Shawano, Wis.	3.51	3.25	0	0	0	0
Zone II:						
Duluth, Minn.	4.31	3.81	150	.28	+.52	+.28
Dubuque, Iowa	3.85	3.44	260	.49	−.15	−.30
Milwaukee, Wis.	3.68	3.58	150	.28	−.11	+.05
Chicago, Ill. (55–70 miles)	3.73	3.47	230	[3].30	−.08	−.08
Rockford, Ill.	3.75	3.69	220	.41	−.17	+.03
Zone III:						
Sioux City, Iowa	4.27	4.00	280	.53	+.23	+.22
Omaha, Nebr.	4.43	4.13	370	.67	+.30	+.21
South Bend, Ind.	3.93	3.64	300	.58	−.16	−.19
Fort Wayne, Ind.	4.00	3.59	380	.70	−.21	−.36
Zone IV:						
Kansas City, Mo.	4.32	4.03	466	.82	−.01	−.04
Pittsburg, Kans.	4.45	3.95	590	1.07	−.13	−.37
Springfield, Mo.	4.07	3.67	600	1.08	−.52	−.66
St. Louis, Mo.	4.28	4.10	520	.94	−.17	−.09
Louisville, Ky.	4.46	3.93	520	.94	+.01	−.26
Cincinnati, Ohio	4.57	4.05	510	.92	+.14	−.12
Columbus, Ohio	4.27	3.91	530	.95	−.19	−.29
Toledo, Ohio	4.32	4.14	450	.81	0	+.08
Detroit, Mich.	4.29	3.91	490	.88	−.10	−.22
Cleveland, Ohio	4.46	4.05	570	1.03	−.08	−.23
Zone V:						
Tulsa, Okla.	4.65	4.23	770	1.40	−0.26	−0.42
Oklahoma City, Okla.	4.76	4.33	860	1.55	−.30	−.47
Memphis, Tenn.	4.82	4.59	770	1.40	−.09	−.06
Nashville, Tenn.	4.35	3.91	670	1.21	−.37	−.55
Huntington, W. Va.	4.56	4.40	660	1.18	−.13	−.03
Zone VI:						
Boston (201–210 miles)	5.00	4.12	1,220	[3]1.82	−.33	−.95
New York (201–210 miles)	5.13	4.00	1,050	[3]1.52	+.10	−.77
Philadelphia, Pa.	5.39	4.84	980	1.76	+.12	−.17
New Orleans, La. (61–70 miles)	5.84	4.88	1,180	[3]1.99	+.34	−.36
Dallas, Tex.	5.09	4.76	970	1.74	−.16	−.23
San Antonio, Tex.	5.62	5.57	1,270	2.30	−.19	+.02
Seattle, Wash.	4.74	4.10	1,660			

[1] Zones shown on attached map radiate from manufacturing milk producing area around Minneapolis and Shawano.

[2] Mileage is shortest highway distance from either Minneapolis or Shawano. Rates used are from a schedule quoted by a dairy-transport firm operating in Wisconsin and apply to 27,500-pound minimum loads.

[3] Rate reduced by local cost of transportation computed from same schedule: Chicago and New Orleans, 14 cents; New York and Boston, 38 cents.

Compiled by the Dairy Division, AMS.


MILK MARKETING AGREEMENT AND ORDER PROGRAMS
AS OF JANUARY 1, 1955
Zones from Minneapolis-Shawano
I
II
III
IV
V
VI
DULUTH-SUPERIOR
EASTERN S. DAKOTA
BLACK HILLS
SIOUX FALLS
MILWAUKEE
ROCKFORD-FREEPORT
SIOUX CITY
DUBUQUE
CEDAR RAPIDS
CHICAGO
QUAD CITIES
OMAHA-COUNCIL BLUFFS
SOUTH BEND-LAPORTE
FT. WAYNE
TOLEDO
LIMA
AKRON
CLEVELAND
STARK COUNTY
COLUMBUS
DAYTON-SPRINGFIELD
CINCINNATI
INDIANAPOLIS
DETROIT
MUSKEGON
WORCESTER
MERRIMACK VALLEY
SPRINGFIELD
BOSTON
FALL RIVER
NEW YORK - NEW JERSEY
PHILADELPHIA
TRI-STATE
LOUISVILLE
APPALACHIAN
KNOXVILLE
NASHVILLE
PADUCAH
MEMPHIS
TOPEKA
KANSAS CITY
ST. LOUIS
OZARKS
SOUTHWEST KANSAS
WICHITA
TULSA-MUSKOGEE
OKLAHOMA CITY
FT. SMITH
CENTRAL ARKANSAS
NORTH TEXAS
CENTRAL WEST TEXAS
AUSTIN-WACO
SAN ANTONIO
CORPUS CHRISTI
SHREVEPORT
CENTRAL MISSISSIPPI
NEW ORLEANS
MARKETING ORDERS IN EFFECT
MARKETS UNDER CONSIDERATION
ACTIONS SINCE JUNE 30, 1954
New orders put into effect - 4
Total orders in effect - 55
Amendment to existing orders - 24
New markets considered - 6
U.S. DEPARTMENT OF AGRICULTURE

Mr. FOREST. The map attached to the table shows the grouping of markets by zones measured from the Minneapolis-Shawano area. The zone boundaries have no particular significance but merely serve as a guide to the data in the table.

As the table demonstrates, nearly all Federal order class I prices were below the cost of milk transported from this surplus producing area. In a few markets the class I price of local supplies exceeded the cost of milk imported from the Minnesota-Wisconsin area but except in the New Orleans, Duluth, Sioux City, and Omaha markets the difference was less than one-half cent per quart. The New Orleans class I price has been under review at a recent hearing largely because of this alternative cost relationship.

The comparison between class I price in the local market and the cost of procuring milk from an alternative source affects the handler's decision on where he buys milk. It is the comparison of the blend price in one market with the blend price in another and the necessary adjustment for transportation cost which determines which market offers the better opportunity to a producer. The comparison of blend prices and the transportation factor on table 7 demonstrates the insurmountable barrier which transportation costs erect against producers in the surplus milk-producing region increasing their net returns by sales in distant fluid areas.

Mr. LAIRD. On these comparisons that you are making, you are using the class I milk prices at Shawano?

Mr. FOREST. That is right.

Mr. LAIRD. And you are not using the prices at which milk is being sold at Shawano County for manufacturing purposes, grade A milk?

Mr. FOREST. Not for manufacturing purposes, but it is the price which a handler has to pay.

Mr. LAIRD. Selling class I milk under the Chicago order?

Mr. FOREST. That is right.

Mr. LAIRD. You are not using the prices that he is getting for grade A milk, which is produced under the same standards, but is being sold for manufacturing purposes to cheesemakers or other processors in Shawano County, are you?

Mr. FOREST. No. We have assumed that the Chicago class I price reflected those additional factors. We have not had any question raised with us by anyone that the class I price in Chicago has been too high. In fact, we have had a lot of objection from farmers in Wisconsin that the class I price is too low.

Mr. LAIRD. This, of course, is a different price than the price that the majority of the milk is actually being sold for in Shawano?

Mr. FOREST. Not for class I use, though.

Mr. LAIRD. People who are selling under the Chicago order are using that price. The majority of the milk in my district is not sold under the Chicago order?

Mr. FOREST. There is also the Milwaukee area—the Milwaukee class I price, which is in line with Chicago. Most class I use I think is being paid for at about the Chicago class I price.

Mr. LAIRD. Of course, you are not differentiating there. You are putting it all in the class I. You are making that comparison, on the prices that are actually not being paid to the farmers up there in the particular areas. They do not receive the class I prices.

Mr. FOREST. Yes. They receive a blend price. I think the blend price in Chicago is nearer what you are referring to, but no handler can buy that milk for the blend price and use it in bottles. I mean, he must pay this class I price.

Mr. LAIRD. He is going to take it down to Chicago, he must pay the higher price up there, that is, if he does that—he cannot buy it at grade A milk prices, at which some of the grade A milk is being sold to the cheese factories at the present time?

Mr. FOREST. That is right.

Mr. LAIRD. He must pay the higher price?

Mr. FOREST. That is right.

Mr. HEIMBURGER. Would that same thing apply to all of the other areas? Suppose they wanted to take it to Dallas, Tex., would they then have to pay also the class I price in Wisconsin in order to ship that milk to Dallas?

Mr. FOREST. Yes; they would, if it is Chicago milk. They take that Chicago milk to Dallas, they would pay to the Chicago producers for class I use, the class I price in Chicago.

Mr. HEIMBURGER. Even though they are buying milk which otherwise would go into manufacturing strictly.

The farmer has no alternative but to sell it to the local manufacturing plant or to sell it for the Class I price to be taken out of the area?

Mr. FOREST. That is right. Otherwise, then, you have surplus milk in one area being used to break down prices in other areas. So we say if class I milk in Chicago is worth such and such a price, and that price is needed to get enough milk, then for all class I uses which that handler makes of it, no matter where he sells, he buys for the same price.

Mr. HEIMBURGER. I assume you will touch on that later in your statement?

Mr. FOREST. Yes.

Mr. HEIMBURGER. I will not, therefore, ask any further questions at this time.

Mr. LAIRD. You have prepared this table No. 7. You use class I prices, blend prices, and add transportation costs. You come up with plus or minus figures, so far as the cost of milk to the handler in Chicago is concerned. I do not think that table gives a very clear picture. I would like another column inserted in that table which shows manufactured milk costs.

Mr. ABERNETHY. Will you supply that?

Mr. LAIRD. On the cost of manufactured milk and the transportation cost.

Mr. POAGE. If I understand it, if you put the manufactured cost down there, you would give a completely misleading picture, because what he is talking about is this. Down in my part of the country we buy milk from up there at certain seasons of the year. We actually bring milk from there down into my part of the country. We bring it for class I use only. We do not bring any milk down there to make cheese of it. It would be utterly ridiculous. We bring it down there to put in bottles and to sell as class I milk.

The question is, do you compare the prices of manufactured milk in Wisconsin with the price of class I milk in Texas? That is what you would get if you put down the manufactured price.

We have a manufacturing price, too, which is just about one-half.

Mr. JOHNSON. As I understand it, when you are talking about manufacturing milk, you are talking about class B milk.

Mr. LAIRD. Not necessarily—not when you are talking about manufactured milk in Wisconsin—you are not talking necessarily about class B milk.

Mr. POAGE. Of course not. You are not doing it in Texas, either. We have at the present moment, of course, a surplus of milk in east Texas. It has now rained in east Texas. There is a surplus of milk of course right now. It is produced as grade A milk, produced under all of the same requirements of inspection as any other milk is. It is all treated with all of the sanitary requirements so that it can be sold as grade A milk. The processing plant cannot sell but a certain part of it in bottles. The rest of it it sells to somebody who makes cheese or butter or to evaporate it.

Borden runs a plant down there to evaporate milk. They only pay for that manufacturing part about one-half what they pay for that which goes into bottles.

As I understand it, what Mr. Forest is showing is that roughly he has maintained the same price, let us say, in San Antonio, Tex., that he has in Chicago, for the same class of milk.

Mr. FOREST. That is right.

Mr. POAGE. Plus transportation. You have about the same price. If you compared the price of manufacturing milk that is going to sell for one-half up in Wisconsin with the price of milk that is sold in bottles in San Antonio, then you would find the return much greater in San Antonio, but if you compared the price of manufacturing milk in Wisconsin with the price of manufacturing or surplus milk in San Antonio, you would find a different situation.

What we import from Wisconsin is always the bottle milk. We never import manufactured milk. I do not think anybody would assume that you would ship milk from Wisconsin to San Antonio, Tex., to make cheese out of it.

Mr. LAIRD. My point is that some of the milk which is shipped down to San Antonio, Tex., is milk that Wisconsin would put in to manufacturing.

Mr. POAGE. That is right.

Mr. LAIRD. In order to show what the milk, the majority of the milk that we are producing in Wisconsin could sell at on the Chicago market, you have to use the price that the farmer is being paid for that milk in Wisconsin, rather than the class I price. Do you see what my point is?

Mr. POAGE. No, because when the man from San Antonio goes to Wisconsin and gets milk—he has to pay your class I price. He cannot buy it otherwise. He cannot buy your milk at manufacturing price, and move into San Antonio and sell it.

Mr. LAIRD. He can. We would be glad to sell it to him, but if he is in a Federal order area, he cannot.

Mr. POAGE. That is right.

Mr. LAIRD. That is not because we in Wisconsin stop him from buying it at the lower price. It is because of the particular order that that handler is operating under. It is not the Wisconsin farmer, because he would be very happy to sell him the milk.

Mr. POAGE. That is very true—that is very true, of course.

Mr. LAIRD. It is that local order down there that makes the milk at the higher price, not the Wisconsin farmer.

Mr. ABERNETHY. I think that both gentlemen are in agreement now.

Mr. Laird requested certain information.

Mr. FOREST. We will be glad to get it.

Mr. ABERNETHY. Put it in the record, and further discussion could be had on it.

(The information requested is as follows:)

Annual average class I and blend prices in Federal order markets, per 100 pounds of milk containing 3.5 percent butterfat (f. o. b. marketing area except where mileage is indicated) grouped by zones [1] and compared with midwest condensery price, plus estimated transportation cost to designated market,[2] 1954

City market	Class I	Blend	Estimated transportation cost		Actual price over or under midwest condensery plus transportation cost	
					Class I	Blend
Zone I:	*Dollars*	*Dollars*	*Miles*	*Dollars*	*Dollars*	*Dollars*
Minneapolis, Minn	3.73	3.62	0	0	+0.73	+0.62
Shawano, Wis	3.51	3.25	0	0	+.51	+.25
Zone II:						
Duluth, Minn	4.31	3.81	150	.28	+1.03	+.53
Dubuque, Iowa	3.85	3.44	260	.49	+.36	−.05
Milwaukee, Wis	3.68	3.58	150	.28	+.40	+.30
Chicago, Ill. (55–70 miles)	3.73	3.47	230	[3].30	+.43	+.17
Rockford, Ill	3.75	3.69	220	.41	+.34	+.28
Zone III:						
Sioux City, Iowa	4.27	4.00	280	.53	+.74	+.47
Omaha, Nebr	4.48	4.13	370	.67	+.81	+.46
South Bend, Ind	3.93	3.64	300	.58	+.35	+.06
Fort Wayne, Ind	4.00	3.59	380	.70	+.30	−.11
Zone IV:						
Kansas City, Mo	4.32	4.03	460	.82	+.50	+.21
Pittsburg, Kans	4.45	3.95	590	1.07	+.38	−.12
Springfield, Mo	4.07	3.67	600	1.08	−.01	−.41
St. Louis, Mo	4.28	4.10	520	.94	+.34	+.16
Louisville, Ky	4.46	3.93	520	.94	+.52	−.01
Cincinnati, Ohio	4.57	4.05	510	.92	+.65	+.13
Columbus, Ohio	4.27	3.91	530	.95	+.32	−.04
Toledo, Ohio	4.32	4.14	450	.81	+.51	+.33
Detroit, Mich	4.29	3.91	490	.88	+.41	+.03
Cleveland, Ohio	4.46	4.05	570	1.03	+.43	+.02
Zone V:						
Tulsa, Okla	4.65	4.23	770	1.40	+.25	−.17
Oklahoma City, Okla	4.76	4.33	860	1.55	+.21	−.22
Memphis, Tenn	4.82	4.59	770	1.40	+.42	+.19
Nashville, Tenn	4.35	3.91	670	1.21	+.14	−.30
Huntington, W. Va	4.56	4.40	660	1.18	+.38	+.22
Zone VI:						
Boston (201–210 miles)	5.00	4.12	1,220	[3]1.82	+.18	−.70
New York (201–210 miles)	5.13	4.00	1,050	[3]1.52	+.61	−.52
Philadelphia, Pa	5.39	4.84	980	1.76	+.63	+.08
New Orleans, La. (61–70 miles)	5.84	4.88	1,180	[3]1.99	+.85	−.11
Dallas, Tex	5.09	4.76	970	1.74	+.35	+.02
San Antonio, Tex	5.62	5.57	1,270	2.30	+.32	+.27
Seattle, Wash	4.74	4.10	1,660	------	------	------

[1] Zones shown on attached map radiate from manufacturing milk producing area around Minneapolis and Shawano.

[2] Mileage is shortest highway distance from either Minneapolis or Shawano. Rates used are from a schedule quoted by a dairy transport firm operating in Wisconsin and apply to 27,500-pound minimum loads.

[3] Rate reduced by local cost of transportation computed from same schedule: Chicago and New Orleans, 14 cents; New York and Boston, 38 cents.

Compiled by the Dairy Division, AMS.

Milk: Average prices paid by selected [1] Midwest condenseries [2] for milk containing 3.5 percent butterfat monthly

[Dollars per one hundred pounds]

Month	1952	1953	1954	1955
January	3.808	3.472	3.215	3.081
February	3.849	3.381	3.073	3.031
March	3.838	3.276	3.022	3.017
April	3.749	3.184	2.865	----------
May	3.690	3.115	2.790	----------
June	3.631	3.109	2.773	----------
July	3.641	3.125	2.868	----------
August	3.778	3.149	2.948	----------
September	3.931	3.212	3.005	----------
October	3.932	3.268	3.107	----------
November	3.872	3.303	3.154	----------
December	3.624	3.278	3.141	----------
Average	3.779	3.239	2.997	----------

[1] Previously known as 18 Midwest condenseries.
[2] Located at: Coopersville, Mich.; Hudson, Mich.; Mount Pleasant, Mich.; Sparta, Mich.; Wayland, Mich.; Belleville, Wis.; Berlin, Wis.; Chilton, Wis.; Manitowoc, Wis.; New Glarus, Wis.; New London, Wis.; Oconomowoc, Wis.; Orfordsville, Wis.; Richland Center, Wis.; West Bend, Wis.

Source: Reported by the market administrator at Chicago, Ill. Compiled by the Standardization and Program Development Branch, Dairy Division, AMS.

Mr. FOREST. If we take that series we have of the price paid by 15 condenseries which we use up there, located in Wisconsin and Minnesota, is that series sufficient?

Mr. LAIRD. That would be all right. The reason that I used Shawano County is that most of the producers in Shawano County are grade A producers. They are qualified to sell on the Chicago market. A great many of them are unable to sell on the Chicago market.

Mr. FOREST. We have had difficulty getting a series of what represented average manufacturing values. We have taken the prices paid at the condenseries.

Mr. LAIRD. That would be all right.

Mr. JOHNSON. The only thing I was trying to point out is that class B farmers can sell at that same price to the condenseries. It does not have to be grade A to go into cheese, et cetera.

Mr. LAIRD. But in Shawano County much of the milk is grade A.

Mr. JOHNSON. We have grade A farmers in western Wisconsin, equipped to produce grade A, but because there is no market they are forced to sell at grade B price.

Mr. ABERNETHY. Let us proceed.

Mr. FOREST. Surplus milk prices: In establishing a price for the surplus milk in a fluid milk market, it is necessary to determine the level of prices being paid to farmers by unregulated handlers in direct competition with the handlers of surplus milk for fluid markets. The prices paid by such unregulated handlers for milk disposed of in similar dairy products are taken as a guide to the value of surplus milk in fluid markets.

It must be recognized, however, that volumes of surplus and the organization of the market for disposing of surplus milk vary considerably from market to market. For this reason the level of surplus prices which will contribute to orderly marketing in one area may be somewhat different from the prices needed in another area. Generally, however, the surplus price is established at the level of competi-

tive prices paid producers at unregulated manufacturing plants, unless there is a clear indication that such prices are not reasonable.

In determining the level of surplus milk prices which will produce orderly marketing, it is important that handlers in fluid milk markets should not be unduly encouraged to manufacture surplus milk, either by establishing prices more attractive than those paid by competitors in unregulated markets, or by making the handling of surplus milk within the fluid market appear more profitable than the handling of milk for primary uses.

Surplus milk in Federal orders is priced by one of two general types of formulas: (1) formulas based on manufactured dairy product prices, or (2) formulas based on prices paid for milk by unregulated manufacturing plants. The two types of formulas differ only in mechanics, since each is designed to relate the local surplus milk price to the approximate prices being paid by unregulated manufacturing plants for milk made into dairy products.

Mr. ABERNETHY. I think it would be well if we adjourned over until tomorrow morning.

I would like to finish your statement this afternoon, but I doubt if we can because we have other business on the floor. So if you will be present in the morning, we will start at 10 o'clock sharp. That should leave an hour or an hour and a half for questioning.

We have a witness here this morning who has come a very, very long way. He had a statement that he intended to request permission to give to the committee. The witness is Mr. John Taylor of the Indiana State Board of Health. I am very sorry, Mr. Taylor, that the time did not afford us an opportunity to hear you this morning, but I want to assure you that at an appropriate place in the record, your statement will be inserted, if that will meet with your satisfaction.

Mr. TAYLOR. Thank you, sir.

(The statement referred to is as follows:)

STATEMENT OF JOHN TAYLOR, DIRECTOR, DIVISION OF DAIRY PRODUCTS, INDIANA STATE BOARD OF HEALTH

My name is John Taylor, I am director of the division of dairy products of the Indiana State Board of Health. In addition to representing the State Health Department of Indiana, I have been requested by the chairman of the executive committee of the National Conference on Interstate Milk Shipments to represent that organization relative to H. R. 1754. The chairman of the executive committee of the national conference reports that the majority of their committee is opposed to the passage of this bill.

The problem concerning the movement of milk in interstate commerce is not new. An attempt at solving this problem was first made on a national level in 1941, when a meeting of representatives of the States was called in Chicago by the Council of State Governments. Preliminary agreements concerning the movement of dairy products in interstate commerce were reached at that time, but were dropped during World War II.

In 1946 the State and Territorial health officers recommended that a uniform program of certification of milk for fluid use moving in interstate commerce, based upon sanitary standards, be developed.

Officials representing State health departments and State departments of agriculture in the Midwest, who were charged with the enforcement of State laws concerning sanitary milk supplies from both shipping and receiving States, met in Indianapolis in 1949 and discussed problems of multiple inspection. It was decided to call a meeting on a national level. Such a meeting was held in Chicago in 1950, and later in St. Louis in 1950, 1951, 1952, and 1953.

From these meetings sanitation standards were adopted based upon the provisions outlined in the Milk Ordinance and Code recommended by the United

States Public Health Service, which is the only uniform national milk sanitation program in operation. Sanitary surveys of milk supplies were to be made by personnel of the State regulatory agency following the method outlined in Bulletin 1970, issued by the Public Health Service. The United States Public Health Service was requested to certify State regulatory personnel to insure accurate, uniform, and standardized survey reports. Information concerning sanitary ratings is cleared through the Public Health Service, and ratings of supplies are published quarterly by the Public Health Service of those supplies whose management have given written permission for such publication.

A meeting was held in Memphis on March 29 and 30, 1955, discussing the progress made in the operation of the program during the past 2 years and how it could be improved. There were 186 individuals from 36 States and the District of Columbia attending, representing State departments of agriculture, State departments of health, city health departments, and industry.

This program of certification has operated most satisfactorily to all concerned, not only for bulk shipments of raw supplies, but for interstate shipments of finished products. In Indiana the program is also being successfully used for finished products moving between local city markets.

In Indiana, as well as in many other States, the chief regulatory official is the State health commissioner, who is the only one qualified to certify interstate shipments of individual milk supplies.

I am making certain recommendations for changes in section 7 (b). In line 8 on page 2, substitute the word "regulatory" for the word "agricultural." This would authorize certification by either the State commissioner of agriculture or the State commissioner of health; whoever is charged with enforcement of milk sanitation requirements.

In line 9 delete the words "Secretary of Agriculture of the United States" and substitute "Surgeon General of the Public Health Service." The Surgeon General of the Public Health Service prescribes standards and should be the individual to whom the States certify supplies.

In line 10, after the word "produced," insert "in a plant." This would provide certification for an individual supply, and would not authorize a State agency to certify all milk originating within the State.

In line 12, after the word "subsection," delete the period and insert "and a current sanitation rating made by a survey officer certified by the United States Public Health Service accompanies such certification. The Surgeon General of the Public Health Service shall furnish the Secretary of Agriculture of the United States a list of plants or shippers producing and handling sanitary milk and milk products." This would insure sanitation surveys made by competent personnel, which would be uniform on a national level. Such information would probably be more acceptable to receiving areas. The Surgeon General of the Public Health Service would report the sanitary status of milk supplies produced throughout the United States to the Secretary of Agriculture who enforces the act to be amended.

Mr. ABERNETHY. With that, we will stand adjourned until 10 o'clock in the morning.

(Whereupon, at 12:10 p. m., the subcommittee recessed, to reconvene at 10 a. m. Wednesday, April 20, 1955.)

STUDY OF THE DAIRY INDUSTRY

WEDNESDAY, APRIL 20, 1955

HOUSE OF REPRESENTATIVES,
COMMODITY SUBCOMMITTEE ON DAIRY PRODUCTS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D. C.

The Commodity Subcommittee met, pursuant to adjournment, at 10 a. m., in room 1310, New House Office Building, Hon. Thomas G. Abernethy (chairman of the subcommittee), presiding.

Present: Representatives Abernethy, Polk, Johnson, Knutson, Andresen, Williams, and Laird.

Also present: Representatives Poage, Abbitt, Watts, Bass, and McIntire.

John J. Heimburger, counsel.

Mr. ABERNETHY. The committee will come to order.

On yesterday at the time we adjourned, we had not completed the testimony of Mr. Forest. We are ready to hear the remainder of his statement. Pending that, there has been supplied, I believe at the request of Mr. Andresen, and you may correct me it I am wrong, a set of the rules of practice and procedures governing proceedings before the hearing examiners. Is that what this document is?

STATEMENT OF H. L. FOREST (Resumed), DIRECTOR, DAIRY DIVISION; ACCOMPANIED BY CLARENCE H. GIRARD, CHIEF, MARKETING DIVISION, OFFICE OF GENERAL COUNSEL; ELLEN A. HENDERSON, MARKETING SPECIALIST, DAIRY DIVISION; AND W. G. SULLIVAN, DAIRY DIVISION, AGRICULTURAL MARKETING SERVICE, DEPARTMENT OF AGRICULTURE

Mr. FOREST. Yes, sir.

Mr. ANDRESEN. I think it ought to follow in your statement at the point of its discussion on yesterday.

Mr. ABERNETHY. It will be inserted in the record at the point where the request was made for it.

And, Mr. Andresen also requested or some of the committee did, the names of qualified or authorized examiners. That list has been supplied and they will be inserted in the record immediately following the rules of practices.

Mr. Andresen has asked the question, if this sheet which includes the names of the examiners, if it discloses the positions which they occupy. I do not assume that it does other than they are hearing examiners and they are all more or less of the same rank and same status.

Mr. GIRARD. Judge Gifford, whose name appears on there, is the chief hearing examiner, but his grade is the same as that of other hearing examiners. They are all hearing examiners, grade 15.

Mr. ABERNETHY. All right. That list will be inserted as indicated. All right, Mr. Forest, you may proceed.

Mr. FOREST. Mr. Chairman, in addition to the material which you have already had inserted, Congressman Andresen asked for a calculation with respect to the Boston formula and milk manufacturing type formula and I have a supplement. Would you want to insert it now or at the place where Congressman Andresen asked for it?

Mr. ABERNETHY. That will also be inserted at the point where the request was made.

Mr. FOREST. In connection with the Boston formula, it was worked out on the recommendations of a committee composed of experts who are not Government employees or connected with the Government. They made a condensed report of their recommenations and if the Congressmen would like to have copies of that, we have them available.

Mr. ABERNETHY. They have been distributed?

Mr. FOREST. No; not yet.

Mr. ABERNETHY. They might be distributed now.

Mr. ANDRESEN. You referred to a commission. Does that commission establish the formula?

Mr. FOREST. It was a committee, which was appointed to study the pricing of milk for the Boston area, and that committee made a recommendation on which the Secretary called a public hearing. On the basis of that public hearing, the Boston formula was made effective for the Boston order.

Mr. ANDRESEN. Can you furnish for the record the names of the members of the committee and their occupations?

Mr. FOREST. They are in that pamphlet. Congressman, that was furnished to you. We could have a copy of the first page which would have what Congressman Andresen asked for made a part of the record.

Mr. ABERNETHY. It appears in the forword?

Mr. FOREST. Yes, sir.

Mr. ANDRESEN. Were there any producers on that committee?

Mr. FOREST. Yes; there were two representatives of producers on the committee. Mr. Chester Smith, who was director of Cooperative Dairies Economic Services and Dr. C. W. Swonger, who was research economist for the New England Milk Producers Association.

Mr. ANDRESEN. Does that committee recommend the cost-of-living index to be considered in establishing the price of milk?

Mr. FOREST. No; they do not.

Mr. ANDRESEN. That is all.

Mr. ABERNETHY. Thank you. You may proceed.

Mr. FOREST. Uniform prices to producers: Because different prices apply to milk disposed of in the several uses, a method of pooling, or distributing the total class value of milk among producers in order to achieve uniformity of returns, is used in conjunction with classified pricing. The act affords a choice of two methods of pooling returns to producers. One is the marketwide pool, the other is the individual-handler pool.

Under a marketwide pool, the total money value of all milk delivered by all producers—pounds of milk in each class, multiplied by the minimum class prices and usually adjusted for certain differentials or deductions—is divided by the total amount of producer milk to be priced. Then all producers are paid the same "uniform" or blended

price per hundredweight for their milk shipments, adjusted for butterfat variations and other specified differentials. With an individual-handler pool, the same computations are made in arriving at each handler's value of milk, and all producers supplying the particular handler are paid the same uniform or blended price a hundredweight—which also may be adjusted for butterfat variations and other specified differentials. Under the latter type of pool, if the handlers differ in the proportion of milk used in the different classes, producers of milk of the same grade and test supplying one handler will receive a uniform price which differs from that paid producers supplying other handlers in the market.

Mr. ANDRESEN. Does the Secretary of Agriculture approve the price paid to producers for all classes of milk including the blend price?

Mr. FOREST. Yes, sir.

Mr. ANDRESEN. So it is not only class I, he approves all classes of milk of the five classes and that is set forth in the order?

Mr. FOREST. That is set forth in the order, the number of classes and the minimum price for each class, that is set forth or the method for fixing the price in each class is set forth in the order.

Mr. ANDRESEN. Do those classes—are those prices approved by the Secretary of Agriculture, do they continue for the entire year or is it just for certain seasons of the year?

Mr. FOREST. The order has a continuing method of fixing the price. That price continues until the Secretary goes to another public hearing and changes the method for fixing the price.

Mr. ANDRESEN. Well, now, in the order issued yesterday for the New York milkshed area, your class I price was fixed at $4.75 a hundredweight for the next 5 months. When does that begin?

Mr. FOREST. That begins on May 1. But that is not the entire decision. That was a floor price, that the price may not go lower than $4.75 from May 1 for 5 months, beginning May 1.

But the formula method of fixing prices is also continued and if the formula price nets a price here higher than the $4.75, then that will be the minimum price which farmers will receive for class I milk.

Mr. ANDRESEN. Then the handlers could pay a higher price than the minimum price established by the Secretary yesterday?

Mr. FOREST. Yes, sir; as a matter of fact in New York, since January they have paid a price higher than the minimum price on a voluntary agreement between the producers and the handlers.

Mr. ABERNETHY. How does that come about?

Mr. FOREST. Well, the producers and handlers sat down or got together and negotiated a voluntary price higher than the minimum price which the Secretary established.

Mr. ABERNETHY. In other words, that is just the minimum?

Mr. FOREST. The price the Secretary fixes is a minimum price only.

Mr. ANDRESEN. What is the price paid in the New York milkshed for the month of April?

Mr. FOREST. $5.38 for class I milk. That is not the minimum price, Mr. Congressman, that is the price which dealers have agreed to pay, $5.38.

Mr. ANDRESEN. All right. What was the price fixed in the order approved by the Secretary as the minimum price for April?

Mr. FOREST. I would have to supply that. I think it is approximately 60 cents a hundredweight less than that. I do not have it because it is on a formula and I don't have it in my mind right now.

Mr. ANDRESEN. Will you place that in the record at this point?

Mr. FOREST. Yes, sir.

(The information referred to is as follows:)

The minimum class I–A price for the New York market for the month of April was $4.87 per hundredweight.

Mr. JOHNSON. Are you talking about the grade A or blended price?

Mr. FOREST. This is the class I price.

Mr. ANDRESEN. That is all.

Mr. ABERNETHY. All right, you may proceed.

Mr. HEIMBURGER. Does New York operate on the individual handler basis or on the market?

Mr. FOREST. They operate on the marketwide basis.

Mr. HEIMBURGER. So that, if some of the larger cooperatives negotiate a higher price with the handlers then all of the suppliers of the New York market will benefit from that?

Mr. FOREST. Yes. They established in someway what they call a superpool in which they pool this premium among themselves. We had nothing to do with that but they arranged through a bank or a trustee to pool this additional premium so that all farmers got the same dollars-and-cents premium.

Mr. HEIMBURGER. In a case like that then you mean that the Administrator in New York handles only the money that comes in under the minimum price set by the formula in the order?

Mr. FOREST. Yes, sir.

Mr. HEIMBURGER. And any payment to the supplier to producers over and above that has to be handled separately by some arrangement that the suppliers and the handlers make; is that correct?

Mr. FOREST. That is right, sir.

Mr. WILLIAMS. Does the Secretary have any part in this program that has been called the superpool for the last 5 months in New York?

Mr. FOREST. No: he had nothing to do with that superpool.

Mr. WILLIAMS. That was merely a program called the superpool, an agreement between the distributors and the producers in New York State?

Mr. FOREST. Yes, sir. Most Federal order markets operate under marketwide pools. Of the 56 markets now in effect, 42 have marketwide pools and 14 have individual-handler pools. The type of pool in each market is indicated in table 8.

(The table referred to is as follows:)

TABLE 8.—*Type of pool in each Federal milk order market and markets where base-excess price plans are used, Apr. 1, 1955*

Order number	Market	Individual handler pool	Market-wide pool	Use: Base-excess plan
60	Akron, Ohio		X	
23	Appalachian	X		X
52	Austin-Waco, Tex	X		X
17	Black Hills		X	X
4	Boston		X	
31	Cedar Rapids-Iowa City		X	
87	Central Mississippi	X		X
82	Central West Texas		X	X
41	Chicago		X	X
65	Cincinnati		X	
75	Cleveland		X	
74	Columbus		X	
71	Dayton-Springfield		X	
24	Detroit		X	X
12	Dubuque		X	
54	Duluth-Superior		X	
29	Eastern South Dakota			
47	Fall River	X		
76	Fort Smith		X	X
32	Fort Wayne		X	
13	Kansas City		X	X
88	Knoxville		X	X
95	Lima	X		
46	Louisville		X	
18	Memphis	X		X
34	Merrimack Valley		X	
7	Milwaukee	X		X
73	Minneapolis-St. Paul	X		
85	Muskegon		X	X
78	Nashville	X		X
28	Neosho Valley		X	X
42	New Orleans	X		X
27	New York		X	
43	North Texas		X	X
5	Oklahoma City		X	X
35	Omaha-Lincoln-Cedar Bluffs		X	
21	Ozarks		X	
77	Paducah		X	
61	Philadelphia	X		
25	Puget Sound		X	X
44	Quad Cities		X	
91	Rockford-Freeport		X	
3	St. Louis		X	
49	San Antonio		X	
66	Shreveport, La	X		X
48	Sioux City		X	
56	Sioux Falls-Mitchell		X	
67	South Bend-La Porte		X	X
19	Southwest Kansas		X	
96	Springfield, Mass		X	
63	Stark County, Ohio		X	
30	Toledo	X		
80	Topeka		X	X
72	Tri-State, Kentucky, Ohio, West Virginia	X		
6	Tulsa-Muskogee		X	X
68	Wichita		X	X
99	Worcester		X	

Source: Compiled by the Dairy Division, Agricultural Marketing Service.

Mr. ANDRESEN. Let me ask you there. You make a distinction there between the marketwide pools and the 14 individual-handler pools. As I understood your former statement, you have a superpool from which all producers are paid the same, notwithstanding the fact that they may be supplying milk to the individual-handler pools.

All of the producers get the same blended price; is that correct?

Mr. FOREST. I want to emphasize again that the superpool has nothing to do with the Federal-order program. That is beyond the Federal-order program. That superpool took place only in the New York market. It was not a program in all markets. It was only there where the dealers-handlers in the New York area got

together with the distributors in New York and agreed to a higher price than the minimum price.

Mr. ANDRESEN. You make a distinction in your statement between the marketwide pools and the individual-handler pools. Is there any difference so far as price paid to the producers is concerned?

Mr. FOREST. The total amount which all producers receive in the market would be the same under either type of pool, but it would be divided up among producers differently. If you had a marketwide pool, the total value of the milk would be divided equally among all farmers with the marketwide pool. With an individual-handler pool, some producers would get different prices from other producers depending on the use of milk made by the handler to whom that particular producer delivered milk.

Mr. JOHNSON. You say for instance, you have distributor A who is a very good salesman and sells more milk for grade A or class I; then his farmers will receive a higher price because more of his milk goes into grade A than for manufactured milk.

Mr. FOREST. If the handler has used all of it in class I his producers under the individual-handler pool would get the full-price class for that milk. If it were a marketwide pool that use would be spread over all of the producers and his producers would carry some of the surplus in the market.

Mr. ABERNETHY. You may proceed.

Mr. FOREST. The individual-handler-type pool operates satisfactorily in markets which are relatively short of milk or where the surplus is distributed evenly among producer groups. Where supplies are short, this type of pooling serves as a means of distributing the available supply among handlers in relation to their fluid sales. The handler with a higher fluid use would have a higher uniform or blended price to his producers and would attract producers from the handler who had more surplus-priced milk.

Marketwide pools on the other hand, are best adapted to markets where surpluses are unevenly distributed among producer groups. In many markets, particularly the larger ones, the reserve supply of milk can be more efficiently handled by consolidating the reserve supply in plants most distant from the market.

Often one reserve plant where milk is manufactured much of the year will provide the necessary fluid reserve in the short months for more than one handler. This specialization of function would result in prices at such a plant under an individual-handler pool being lower than those paid handlers who specialized in fluid sales. With a market pool all approved producers who supply the market regularly, even if only in the short-supply period, are paid uniformly according to the total market utilization.

Base-excess payment plans: The pattern of fluid-milk sales is relatively even throughout the year. Milk production, on the other hand, is subject to wide seasonal variation. In enacting the Agricultural Marketing Agreement Act of 1937, the Congress recognized the importance of pricing plans which would encourage a greater adjustment of production to existing market needs. In specifying the terms of a milk order, the act provided that payments to producers could be subject to—

a further adjustment, equitably to apportion the total value of milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time.

Since the normal pattern of milk production results in a greater supply during the spring and early summer than during the remainder of the year, base and excess payment plans have been used to encourage producers to make their deliveries in a more even monthly pattern. Under these plans the producer establishes a base during the normally short production season, equal to the average daily quantity of milk delivered. During the flush production season he is then paid the higher base price for quantities of milk delivered within his base, and an excess price for additional milk delivered. The total payments for base and excess milk equal the total payments determined by the class use times the class prices.

The exact terms of base plans vary in different orders but provide generally for establishment of bases in a 4- to 6-month fall and winter period. Payments are then made to producers for base and excess milk in periods ranging from 3 to 12 months following the base-forming period. Producers have an opportunity to establish a new base each year and in some markets there are provisions for developing a base for producers who enter the market after the base-forming period.

There are base-excess price plans in 24 of the 56 Federal order markets at the present time. (See table 8 for list of such markets.)

The equalization fund: Under a marketwide pool the quantity of milk each handler uses in each class is multiplied by the price of that class of milk. These values added together equal the cost of milk to the handler. The cost of milk of all handlers then is totaled. This is divided by the total volume of producer milk of all handlers. The result is an average price for all milk in the market. This uniform or blended price is what handlers are required to pay producers.

Under this system all producers get the same price—except for certain adjustments described elsewhere in this report, which is butterfat differential, et cetera, which is the average value of all uses of milk of all handlers, even though a particular producer may deliver to a dealer with higher or lower class I utilization than the average.

Some handlers have mostly class I milk—highest price. Other handlers have a larger quantity of surplus milk—lowest price. This results in wide variation among handlers in average producer value for cost of milk. Yet the order requires each handler to pay the same price to producers. This is accomplished by an equalization device known as the "Producer Settlement Fund." Handlers with higher than average cost of milk pay the difference into this fund. This money is paid out to handlers with lower than average cost. The result is "equalization" of cost of milk among all handlers and a uniform price to producers.

This is the simple application of the marketwide pooling system under an order in which all handlers are fully regulated. But actual market situations, as indicated in the discussion of problems which arise in defining a marketing area, do not always fit the simple pattern.

For example, we have the problem of determining how to calculate the pool obligation of a handler who does business in the Federal order markets. Since the class prices in adjacent Federal order markets are closely alined, it is unnecessary in most areas to make any special provision other than a determination that such handler pay

the class prices and account to the equalization fund in the market where he has the greater fluid sales.

In some markets, particularly where the location of a handler's plant would give him a particularly favorable price relative to other handlers in one of the areas, it has been necessary to provide for partial pooling of the handler in both Federal order markets.

In these cases, he is required to pay class prices and account for all of his milk in the market pool where he does the most business. He then makes an equalization payment into the market pool where he does a secondary business, similar to the equalization payment made by other handlers in the market. This payment is made on the quantity of class I milk sold in the secondary market and is at a rate equal to the difference between the class I price in that market and the class I price at which he accounted to the pool in the market of his primary business.

There are 19 market orders which provide for this type of obligation to 2 Federal order pools.

Partially regulated handlers who do only a small part of their business in any federally regulated market also make payments into the equalization fund.

Historically this type of payments by partially regulated handlers first applied to the milk which producer-handlers sold to pool handlers. Producer-handlers are generally exempted from the pricing and pooling provisions of an order since their operations are small and regulating a number of small handlers raises the cost of order administration excessively.

On the other hand, since producer-handlers who normally have relatively high fluid milk sales were exempted from equalization, it did not appear reasonable that they should sell. Therefore, in most markets, it was generally accepted at an early date that if producer-handlers were exempted from equalization, a handler who purchased milk from an exempt producer-handler had to account to the pool for the difference between the class I price and the surplus price.

Mr. ANDRESEN. Do you mean by that, that a man can go into the dairy business and distribute his own milk without coming under this whole program?

Mr. FOREST. Yes, sir.

Mr. ANDRESEN. In other words, he is not assessed any equalization fee or compensatory payment?

Mr. FOREST. Not on the milk which he sells off of his own wagons and his own bottles. We only collect a compensatory payment on the handler who buys his surplus milk. If the producer-handler has some surplus milk and wants to sell it to another handler, then we collect compensatory payment from the handler who purchased that milk so that the handler can afford to pay the producer-handler only the surplus for that milk.

Mr. ANDRESEN. Well, then, a producer may have a herd of 1,000 cows, and have his own milk route, and sell his milk, getting the going price for it, and he is out from under the operation of any order. That is the general accepted method of producer. Is that the way it works?

Mr. FOREST. In most markets that is the way it works out; yes, sir.

There are 1 or 2 markets where we had producer-handlers who were growing to an extent and using certain methods of operation such as buying up 2 or 3 farms and really operating as 2 or 3 farms who wanted

to claim an exemption as producer-distributor, in which case we required that they equalize. But the normal producer-handler, who is usually a small operator and handles his own trucks and bottles his own milk, and does not attempt to get rid of his surplus by selling it to other handlers so that other producers carry his surplus would be exempt from all equalization under a Federal order.

Mr. ABERNETHY. Is that very often the case?

Mr. FOREST. Yes, sir.

Mr. ABERNETHY. Does that situation exist or shall I say frequently occur in these milk marketing order areas?

Mr. FOREST. Yes; in most of the smaller areas there are producer-handlers who have a peculiar type of business, oftentimes it is a high grade of milk, golden Guernsey milk or something of that kind, and he has his own set of customers. In most markets you have quite a few producer-handlers.

In the larger markets like New York you do not have as many.

Mr. ANDRESEN. Would there be any reason why this producer-handler could not sell his milk at a lower price than the going price in the market?

Mr. FOREST. There is no reason why he could not except that he can always sell his milk to a handler and get the minimum price so there would be no reason for selling milk at lower than the going price.

Mr. ANDRESEN. I am talking about the producer-handler.

Mr. FOREST. I mean the producer-handler. He always has the choice to sell to a handler and get the minimum price.

Mr. ANDRESEN. And he could sell his milk on his route at 2 or 3 cents or 5 cents a quart under what the other handlers are getting in the same consuming area?

Mr. FOREST. Yes, he could.

Mr. ANDRESEN. That is all.

Mr. WILLIAMS. These producer-distributors that you have been talking about are under State regulation, are they not? They must have a license to distribute milk in certain areas; for example, an individual could not just go out and buy farms and stock them with cattle and start up a milk route in any location he wished to compete in that locality without complying with the State regulations as to different State regulations and restrictions?

Mr. FOREST. I think there are—most States and cities have some health regulations and there are other regulations, but I was just talking about the Federal order program by itself. That would not regulate them.

Mr. WILLIAMS. In other words, you do not have any authority over these small producer-distributors in the different rural communities of each State?

Mr. FOREST. We have no authority over the health regulations. We have the authority in the act to require the equalization of these producer-handlers, but the problem has not been significant enough in these areas and as I indicated, the expense of trying to regulate them or make them equalize seems to us to be more disadvantageous than we would gain in having them equalized.

Mr. LAIRD. You stated that you were not concerned with the producer-handler problem because it was usually limited to small production, small units of milk production. When would you become concerned with it? How large does it have to get?

Mr. FOREST. I think that would vary between markets. Certainly a thousand-quart man in a market, a very small city, like Shawano, would be much more significant than say a thousand-quart man in a market like Boston or New York. I think it would be relative.

Mr. LAIRD. You have never under the Federal order, stepped in and regulated a producer-handler?

Mr. FOREST. We have but not in recent years.

Mr. LAIRD. You are not regulating any producer-handlers at the present time?

Mr. FOREST. Yes. I think we have still a couple of markets where we are regulating some of them. This example which I indicated where we had one handler who was buying up several farms around and leasing them and having different herds and not operating as a single unit—then we thought he was in the category of all other handlers, operating several farms which caused us to make him equalize.

Mr. LAIRD. Was he selling milk at retail at a lower retail price than the other handlers in that particular order area?

Mr. FOREST. I do not remember that he was. He could have been. I do not remember that he was.

Mr. LAIRD. You would have no concern if the handler did sell his milk at a lower retail price?

Mr. FOREST. No; we would not.

Mr. LAIRD. That would strictly be up to the local milk regulations in the particular local community involved?

Mr. FOREST. In many areas they have no retail-price fixing. Most areas don't have retail-price fixing.

Mr. LAIRD. Usually the local restrictions are brought about under the sanitation standards in the particular area?

Mr. FOREST. I do not know about that. That is not in my field.

Mr. LAIRD. You have never run into any local sanitary restrictions?

Mr. FOREST. I think there are sanitary restrictions in most of the cities in the country.

Mr. ABERNETHY. There are about 10 or 12 States that have price-fixing authorities.

Mr. FOREST. Retail-price fixing, yes. There are other States who have only producer price fixing such as the Federal Government.

Mr. ANDRESEN. Will you put those States in the record at this point where they have that price-fixing authority for milk sold at retail?

Mr. FOREST. Yes, sir.

(The list of States referred to follows:)

STATES HAVING RESALE PRICE-FIXING AUTHORITY

The States which have resale price-fixing authority and are exercising the authority at the present time are: Maine, New Hampshire, Vermont, Rhode Island, Pennsylvania, Virginia, Georgia, Florida, Alabama, Montana, and California.

Mr. FOREST. In the early years of the program, many instances occurred in which a small quantity of a handler's milk inadvertently found its way into a regulated market. According to the order practices of those days, the handler incurred a considerable obligation for such milk. As the order program was developed and refined, however, it was recognized that the system which had been applied to producer-handlers might be extended to these handlers whose milk was not normally sold in the marketing area, the system of partial

prices for the milk which they receive from farmers and which does not enter the regulated market.

Fully regulated handlers pay minimum class prices on all milk received regardless of whether it is sold in the marketing area or outside. Compensatory charges are calculated to eliminate any price advantage which the partially regulated handler would have over a fully regulated handler on milk sold inside the regulated market.

In New England, for example, this privilege of exemption with the attendant compensation payment has facilitated the economic handling of surplus milk which otherwise would be a burden on small handlers in many markets. The southern New England markets provide a good example of this. Under the exemption-equalization plan small handlers in these markets move their excess milk directly to the Boston city market at a transportation cost much less than would be required to move it to the manufacturing plants located mostly in northern New England. The handler who receives such milk accounts to the pool at the difference between the class I price and the surplus price in the area at which the milk was received from producers. An equivalent quantity of Boston pool milk would then remain in the country manufacturing plant and be priced as surplus. By this system, the Boston pool retains its class I sales value, the partially regulated handler finds a nearby market for his surplus milk, and the transportation charges which would otherwise apply on the movement of surplus milk from southern New England to northern New England, and an identical shipment of class I milk from northern New England to the Boston market, is saved.

This situation is typical of the northeastern market pools which have manufacturing facilities, and which are surrounded by other fluid markets which often have excess milk which might be used efficiently in these facilities.

Mr. ANDRESEN. I want to get in at some time during the course of your testimony this compensatory charge that is being made on outside milk.

Mr. ABERNETHY. Mr. Andresen, he has only about three pages. I wonder if it would be agreeable to finish the statement, and then that will give us probably an hour for questions. You may proceed then and finish your statement.

Mr. FOREST. The circumstances vary in different parts of the country and, for that reason, the definition of a fully regulated handler varies. The effect of the definition in each case, however, is to include all handlers who make approved milk available to the fluid market on a year-round basis.

The system of compensation payments varies also with the local economic circumstances. In some markets, because of their location close to available supplies of surplus approved milk, low-priced milk may be offered to regulated handlers on a regular or sporadic basis if some price regulation were not imposed. Since handlers who are fully regulated must pay the established class prices for all milk they purchase, the presence of any appreciable quantity of lower-priced milk in the area would disrupt the market, and would not be consistent with the basic principle of uniform pricing required by the act.

As we look at markets further south, the need for a compensation payment gradually diminishes because, for those markets, the cost of procuring milk from sources outside the local milkshed is normally greater than the cost of local milk. There has been little need up to

this time for such provisions in the generally short markets of Oklahoma and Texas. However, a situation did develop in San Antonio in which surplus milk from another Texas market displaced the local supply for a short period.

Compensatory charges are adopted only where the evidence shows that the opportunity to purchase occasional supplies of cheap milk which is offered at surplus prices is likely to disturb the regular market supply. There are markets very close to other cities from which surplus milk could be purchased at distress prices from time to time. Some of these markets have not yet shown the need for a compensatory charge because handlers in those markets prefer to obtain their full supply from their regular suppliers. If they need a larger supply, they make a permanent arrangement with a new source of supply and that source becomes producer milk and is fully regulated.

Now on table 9 we indicate where we have the compensatory payments.

(Table 9 follows:)

TABLE 9.—*Federal order markets with marketwide pools which provide for payments to the equalization fund on milk from partially regulated sources which is received in bulk by a regulated handler and assigned to a fluid use class or which is distributed on routes in the marketing area by a partially regulated handler, Apr. 1, 1955*

Order No.	Market	Equalization payment required	
		Bulk receipts assigned to fluid classes	Distributed by partially regulated handlers
60	Akron	X	
17	Black Hills	X	X
4	Boston	X	X
31	Cedar Rapids-Iowa City		
82	Central west Texas		X
41	Chicago	X	
65	Cincinnati	X	X
75	Cleveland	X	X
74	Columbus		
71	Dayton-Springfield	X	
24	Detroit	X	
12	Dubuque		
54	Duluth-Superior	X	
76	Fort Smith		
32	Fort Wayne	X	X
13	Kansas City	X	X
88	Knoxville	X	X
46	Louisville	X	X
34	Merrimack Valley	X	X
85	Muskegon		X
28	Neosho Valley		X
27	New York	X	X
43	North Texas		
5	Oklahoma City		
35	Omaha-Lincoln-Cedar Bluff	X	
21	Ozarks	X	X
77	Paducah	X	X
25	Puget Sound	X	X
44	Quad Cities		
91	Rockford-Freeport		
3	St. Louis	X	X
49	San Antonio	X	X
48	Sioux City	X	X
56	Sioux Falls-Mitchell	X	X
67	South Bend-La Porte		
19	Southwest Kansas		
96	Springfield, Mass	X	X
63	Start County, Ohio	X	X
80	Topeka	X	X
6	Tulsa-Muskogee		
68	Wichita	X	X
99	Worcester	X	X

Compiled by the Dairy Division, AMS.

Mr. FOREST. Differentials: The prices handlers pay and the prices producers receive are always adjusted by butterfat differentials and sometimes by location differentials. The butterfat differentials are quoted in terms of cents per 100 pounds and apply to each point—one-tenth of 1 percentage point—variation from the basic test at which prices are reported. Prices in Federal order markets are quoted at 3.5 percent, 3.7 percent, 3.8 percent, and 4.0 percent butterfat. Butterfat differentials vary from 4 to 11 cents.

Differentials for milk delivered at different locations are established in the larger markets. Where all milk is delivered to plants in or near the city market, there is no need for a location differential. The differentials for the New York market extend to a radius of 500 miles and in Chicago to 385 miles.

Market administrator: Each milk order is administered by a market administrator who employs a staff of auditors and other technicians to assist him in his duties. The expenses of his office are met by an assessment on handlers. The market administrator receives and verifies reports from handlers, calculates and announces the class prices, differentials and the blended prices payable to producers every month, at such times as are specified in the order. He operates the producer settlement fund; that is, he bills and collects amounts due from some handlers and pays out credits due other handlers. He makes rules for applying various terms of the order. He publishes market statistics and other information about the operations of the order. He investigates complaints and violations. He furnishes information as requested by the Secretary of Agriculture and he may recommend amendments to the Secretary.

Mr. ABERNETHY. Mr. Forest, we thank you for your statement. It has been very complete, very thorough, and very interesting. Some of the members might have some questions.

Mr. POLK. I am wondering, are the so-called compensatory payments for the purpose of excluding milk from milk markets.

Mr. FOREST. No. We would object and it would be contrary to the provisions of our act to exclude any milk from a marketing area. We use the compensatory payments only so that we can have the regulation effective uniformly among all producers and handlers who sell milk in the market. And it is a way in which we can partially exempt some handlers from the regulation without giving them an advantage over other handlers who are fully regulated.

Mr. POLK. Did the Gaumnitz Committee indicate any market where they had this effect of excluding milk?

Mr. FOREST. I assume when you mention the Gaumnitz Committee, that it was the Committee set up by the Secretary of Agriculture of experts outside the Department to study the operations of the Federal order markets. They cited no market where such compensatory payments had the effect of excluding milk from any marketing area.

Mr. POLK. Have you had any complaints from producers in fluid milk markets that their prices are so low they are endangering the milk supply?

Mr. FOREST. Yes; I would say that in almost every fluid milk market we have operated in the last year, fluid milk farmers have complained that the low prices in Federal orders have been driving producers out of business, and lowering the available milk supply, if

not for that particular year at least in light of future prospective supplies of milk for the marketing area.

I think in some areas, because the Secretary did not grant an increase they have been able to negotiate with the handlers premiums above the minimum prices. The case we cited here just a little while ago in New York is one example of where the handlers themselves have thought that the price which the Secretary established was not high enough and voluntarily agreed with the producers on the higher price. There are other examples in the market orders of the same situation.

Mr. POLK. What has been your policy on such requests?

Mr. FOREST. The Secretary and the Department has consistently refused to grant any price increases in Federal order markets on the argument that producers were not receiving an adequate price for their milk. Only when the supply of milk was lower or going down as compared with sales relative to some normal period have any price increases been granted, and those have been automatically taken care of in the supply-demand adjustments which I discussed in my report.

Mr. ABERNETHY. Is that done by an amendment of the formula that you referred to yesterday?

Mr. FOREST. No, the supply-demand adjustment is written right into the formula so that, as the supply of milk goes down, it would automatically give an increase in the price of milk.

Mr. ABERNETHY. It is a part of the formula?

Mr. FOREST. It is a part of the formula, yes, sir.

Mr. POLK. Thank you.

Mr. FOREST. If I might say this, I think I might make one exception that was the case of New York, which was announced yesterday.

Mr. POLK. You have mentioned the fact that there have been some new orders issued rather recently. I was wondering if your department has been promoting the expansion of the Federal milk-order program?

Mr. FOREST. No. I think we have more criticism with respect to areas where we delay much longer than the producers want in having an order issued. We go into no market except at the request of the producer organizations in the market which wants the regulation. And I think that some of you Congressmen know, as I indicated, the criticism that we are too late and too slow in getting out these orders. So that we have more than enough to take care of with our small staff, without promoting the adoption of the program. In addition to that, as I indicated, the producers themselves must vote in the order, vote their approval of the issuance of the order, so that the Government itself cannot issue any order without the approval of the farmers.

Mr. POLK. You mentioned your small staff. I am wondering how many people you have in Washington that work on these orders.

Mr. FOREST. The people that we would depend on that would go to these public hearings and make the records, and analyze the records and issue the amendments, and write up the report on which the amendments are issued—we have only about 15 people to handle the 57 markets now. We have held this year already 21 public hearings. That is since January 1.

Mr. POLK. You have only 15 people working on this. That seems like a pretty small staff.

Mr. FOREST. We think that it is pretty small. We have had difficulty keeping the people we have because of the grade which they are in. We have had difficulty attracting new people coming in because the type of people which we would have to have to conduct these hearings, are able to get higher pay in industry than we can, at the present grades, afford to pay them.

Mr. POLK. Have you had an increase in your staff with this additional workload?

Mr. FOREST. No, we have a smaller staff now than we had in 1940, for example. We have fewer people now than we had at that time.

Mr. POLK. I wish to commend you for your efficiency in operation.

Mr. FOREST. Thank you sir.

Mr. JOHNSON. Can you explain compensatory milk payments as they apply to the Chicago milk market? I am thinking of the milk being sent to the Chicago area from Wisconsin.

Mr. FOREST. We had a problem in the Chicago area particularly after the war, and we ran into it in other periods since then when milk supplies seemed to be short in the South, and where the Chicago plants could get a higher price for milk delivered to the South than they could in the Chicago market, at least during the fall months. After the shortage got over with, during the fall months, and the southern markets had enough milk produced locally, then these plants would put that milk back into the Chicago pool and the Chicago producers would then carry it as surplus milk. And the producers would share in all of the class I sales of the Chicago market, equally with all those producers who had continued to deliver milk to the Chicago market during the short period.

The Chicago producers did not think that that was a very fair distribution of the proceeds from the market, that they were carrying the surplus of these plants and these producers during the flush season when the market did not need the milk and then those plants would not make their milk available to the Chicago market during the short season because they would prefer to sell it to the southern markets.

So the producers asked to have a method set up whereby they could eliminate these plants from sharing in that pool during the flush season if the plants did not ship milk during the short season or make their milk available to the Chicago market when the market actually needed it.

The order was amended to say that if a plant did not offer or did not ship milk to the Chicago area during the short season of production, then those plants could not pool during the flush months.

Then there was the problem if the plants were not going to pool—we do not require or we do not restrict any shipments to the market, we cannot prevent anybody from actually shipping milk into the market—well, if one of those plants which we said could not pool actually did ship some milk and sell it for class I milk in the marketing area, then they were withdrawing class I sales out of the pool.

And, in order to stop that, we insisted that, if they did sell milk during the flush season after not having shipped in the short season, we would charge that plant the difference between the class I price and the surplus price and that amount of money would go into the pool to be distributed among those producers who would otherwise lose those class I sales.

Mr. POLK. That comes out of the farmer then, who sells to this particular handler, the money?

Mr. FOREST. In that particular season, he would get a lower price for his milk than other farmers but of course also as the regular Chicago producers pointed out, they were entitled to get a much higher price during the fall months because most of their milk was being utilized as class I. So, on a yearly average, they probably did not get or should not have gotten a much lower price than the average Chicago producer.

Mr. POAGE. Mr. Forest, I am not sure that I understood whether you meant to say that you were limiting these compensatory payments to the Chicago markets and markets similarly situated. Did you say that?

Mr. FOREST. Yes; I did.

Mr. POAGE. What does this table 9 show us? I looked at table 9 but I was not too sure that I understood it. I understood that Akron, for instance, has compensatory payments. Black Hills has compensatory payments. Boston——

Mr. FOREST. Yes, sir.

Mr. POAGE. Isn't that right?

Mr. FOREST. Yes, sir.

Mr. POAGE. Well now, all of those, are they confined to the same kind of situation that you described in Chicago?

Mr FOREST. No; there are other situations with respect to Akron. As I pointed out in the statement prior, these situations vary between markets, but we put in a compensatory payment only where the market appears to need that kind of a provision.

Mr. POAGE. Well now, you use a compensatory payment in a good many places, don't you, to actually equalize the costs from one area to another. I believe you retained the compensatory payments at Topeka very recently?

Mr FOREST Yes, sir.

Mr. POAGE. I presume, and I am not familiar with that area, but I presume that was because you could move milk in from some of those milksheds north of Topeka, where they produce the milk cheaper than they do at Topeka; is that not right? Well, Omaha or Lincoln, I suppose that they have a lower price than Topeka, is that not right?

Mr. FOREST. Omaha would have a lower price than Topeka.

Mr. POAGE. Let us then take Topeka. If a man brings milk in from the Omaha milkshed, you make him pay a compensatory payment to equalize that lower price that he paid. He paid the producer less in Omaha, consequently you say that if he is going to move that cheap milk from Omaha into Topeka, then he must make a compensatory payment in Topeka which would make his milk cost him the same as if he had bought it in the Topeka milkshed?

Mr. FOREST. Yes.

Mr. POAGE. You would use the compensatory payment, therefore, to see that the cheaper milkshed does not flood the higher-priced milkshed?

Mr. FOREST. Except to the extent that that cheaper milkshed is a regular supplier and could be made regularly available to the marketing area then he would become a fully regulated handler and we would require that he pay the full price to his farmers and his supply would lower the class I price.

Mr. POAGE. Let us assume there is a processor in the Omaha milkshed. I do not know what your price is up there. Let us assume that it is 20 cents less than it is in Topeka. I would assume it is something like that, is it not?

Mr. FOREST. About that, I would say.

Mr. POAGE. He buys his milk probably 20 cents cheaper by buying in Omaha. He pays the price your Omaha order requires.

Mr. FOREST. Yes.

Mr. POAGE. He is a fully regulated dealer in the Omaha area?

Mr. FOREST. That is right.

Mr. POAGE. He is a fully regulated dealer in the Omaha area?

Mr. FOREST. Yes, sir.

Mr. POAGE. When he brings his milk into Topeka, and undertakes to sell it, you make him pay that 20-cent differential, don't you?

Mr. FOREST. In any particular market where the prices are out of line, but we try to keep the prices between markets in line so that we do not require a payment. There are some cases where there is an overlapping of the milksheds and it is impossible to completely separate them. Now where it looks as though a handler can gain an advantage by buying cheaper milk from another market, then we require a compensatory payment.

Mr. POAGE. And you have no rule then against compensatory payments at the present time?

Mr. FOREST. No, sir.

Mr. POAGE. I ask that because I had been informed in Texas that there was—that it was the policy of the Department not to allow any compensatory payments and that you were going to abolish all compensatory payments that you had in existence.

Mr. FOREST. I know the circumstance that you are speaking about. We try not to use these compensatory payments to offset two prices which, on an economic basis, are out of line. We do not try to say that because we have one price which is economically out of line, we are going to make it up by compensatory payments.

We think that the price in that market which is out of line ought to be corrected, either put up higher or lower.

Mr. POAGE. Then can we say that it is the policy of the Department that if you find that milk is flowing from a given milkshed in substantial quantities into another higher priced milkshed, that somewhere the prices are out of line?

Mr. FOREST. There would be a strong suspicion along that line that that would be the case. We would probably call for a review at a public hearing.

Mr. POAGE. If as much as 50 percent of the milk sold in a given market is flowing in from another milkshed, would not that raise a rather strong presumption that there was something wrong in the relationship of the prices?

Mr. FOREST. I think it would.

Mr. POAGE. That is all.

Mr. ANDRESEN. I am seeking information, Mr. Forest. You have been with the Department for several years. When did you first enter into the Division of the Department, that has to do with the milk-marketing orders?

Mr. FOREST. 1935, I was with the Boston Administrator in 1934.

Mr. ANDRESEN. You took over the administrative work as soon as the act of 1937 was passed?

Mr. FOREST. I was a worker in 1937. I did not take over the administration of the act; no, sir.

Mr. ANDRESEN. Who administered it, to begin with?

Mr. FOREST. Well, there have been quite a few people who have been chiefs or directors of these orders. I think starting in 1934, E. W. Gaumnitz was the first man that I worked for. Prior to that there was Arthur Lauterbach who was manager of the Milk Cooperative in Chicago subsequent to being in Washington, and Jerry Mason.

Clyde King prior to that. But since, Ed Gaumnitz, there was Dr. Stitts, and S. W. Tator was in for awhile. Mr. Nelson was in for a while. Mr. Norton was in for a while. And then myself.

Mr. ANDRESEN. But you have been doing most of the detail work in the Department for the Bureau chiefs?

Mr. FOREST. I have been doing a lot of detailed work; yes, sir.

Mr. ANDRESEN. When did you take over then the full administration of the Department orders?

Mr. FOREST. So far as the responsibility of a Dairy Division, I have that responsibility now; yes, sir.

Mr. ANDRESEN. How long?

Mr. FOREST. About a year and a half.

Mr. ANDRESEN. And you make the recommendations to the Secretary of Agriculture with reference to the approval or disapproval of any order?

Mr. FOREST. No; I make my recommendations to the Deputy Administrator of the Agricultural Marketing Service.

Mr. ANDRESEN. And is he the one that approves the orders or does it go to the Secretary for final action?

Mr. FOREST. They go to an Assistant Secretary, Mr. Butz for final action. I am sure that Mr. Butz in many of the cases confers with the Secretary of Agriculture, as he did on the case of New York yesterday. Mr. Benson himself made the announcement with respect to the New York area.

Mr. ANDRESEN. Do you have an attorney or General Counsel? I know you have a General Counsel, that serves all of the time with your particular Division.

Mr. FOREST. Yes; we do.

Mr. ANDRESEN. That is Mr. Girard?

Mr. FOREST. He is responsible for the Division which handles the work connected with the Federal order program.

Mr. ANDRESEN. I would like to ask Mr. Girard, how long you have been with the Department and with this particular Division?

Mr. GIRARD. I have been with the Department since 1941 and with the Marketing Division since 1943.

Mr. ANDRESEN. And you have passed on the legal matters during the course of that time?

Mr. GIRARD. Initially. Of course we operated under the direction of the Solicitor until about a month ago when his title was changed to General Counsel. I operate under the supervision of an Associate General Counsel who is in charge of regulatory matters. That is Mr. Bucy and of course, both of us operate under the direction and supervision of the General Counsel.

And any final decisions with regard to legal matters must be approved by the General Counsel.

Mr. ANDRESEN. But you interpret the law and then make your recommendations to the General Counsel?

Mr. GIRARD. That is right, sir.

Mr. ANDRESEN. And then it goes to the Solicitor?

Mr. GIRARD. Well, no. They changed the name of the office from the Office of the Solicitor, to the Office of General Counsel about a month ago. We are now the Office of the General Counsel. Prior to that we were the Office of the Solicitor.

Mr. ANDRESEN. Then since 1943, you have been interpreting the law and providing your opinions to hand up the line?

Mr. GIRARD. Let me put it this way. In 1943 I was engaged as trial attorney with the Department. And I was a trial attorney from 1943 to 1948 when I was made Chief of the Marketing Division. Of course, as a trial attorney, my authority was much more limited than it is now.

Mr. ANDRESEN. Mrs. Ellen Henderson, how long have you been with the Department?

Mrs. HENDERSON. I have been working on this program since 1940. That was in the Washington and New York local offices at first, and then since 1943 with the Dairy Division or the predecessor of the Dairy Division, sometimes that has been called the Dairy Branch.

Mr. ANDRESEN. And what are your particular duties in the Department?

Mrs. HENDERSON. I am a marketing specialist, and I have worked as a specialist at the public hearings and in the Department in analyzing the testimony and in preparing preliminary recommendations for my Chief and the Director.

Mr. ANDRESEN. So then as marketing specialist, you make recommendations to Mr. Forest?

Mrs. HENDERSON. I make recommendations to Mr. Sullivan who, in turn, makes them to Mr. Forest.

Mr. ANDRESEN. Then he makes them to Mr. Forest?

Mrs. HENDERSON. Yes, sir.

Mr. ANDRESEN. Mr. W. G. Sullivan, how long have you been with the Department?

Mr. SULLIVAN. I have had 2 periods with the Department, 1 from 1937 until 1941 and 1 from 1948 until the present time.

Mr. ANDRESEN. So you have been working on milk-market orders since 1948; in effect?

Mr. SULLIVAN. Yes, sir.

Mr. ANDRESEN. Mr. Forest, the three associates that you have with you here, they are the ones in particular who administer the orders and interpret the law and make recommendations?

Mr. FOREST. I think we make recommendations. I do not think that we either administer or determine the policy or make the final interpretation of the law.

Mr. ANDRESEN. Who does make the policy?

Mr. FOREST. The Secretary of Agriculture makes the policy.

Mr. ANDRESEN. On the recommendations made by Mrs. Henderson to Mr. Sullivan to you and to the Secretary?

Mr. FOREST. Well, the Secretary does not always accept our recommendations.

Mr. ANDRESEN. I want to call your particular attention to the act of 1937. I will ask this of Mr. Girard because he undoubtedly interpreted the act.

I have a compilation here of foreign relief and agricultural acts on page 37. Referring in particular to the title terms "Milk and Its Products," beginning with A, following down to the end of that section and you will come then to a large G.

Mr. GIRARD. I have it.

Mr. ANDRESEN. I would like to read that to you, and then find out what you did with it.

> No marketing agreement or order applicable to milk and its products in any marketing area shall prohibit or in any manner limit in the case of products of milk, the marketing in that area of any milk or products thereof produced in any production area in the United States.

How has that been interpreted and administered by your division and the Department?

Mr. GIRARD. This language, as is much of the other language in this act, is rather general and, frankly, I would say that any construction of this language would not be entirely free from doubt. We have had no court decisions, which we can use as a guide. This particular language was the subject of a case in the New York area involving the New York compensatory payment, but the court in deciding that case ignored this section. So as I say, all we can do with regard to the application of the section is sort of give an educated guess as to what it means.

We feel personally that under this language we could not impose any quantitative limitations on the movement of milk or milk products between any areas in the United States. And I feel quite sure that the language means that at least.

With respect to whether the language goes further, that is the real question. If it means limiting on the basis of price, then it seems to me we would be conflicting with the very purposes for which we are regulating milk. Whenever you fix a minimum price for something, to that extent you are going to limit the movement of the commodity which is regulated.

Obviously, it cannot mean limit in that sense, provided you do not discriminate. If you price discriminatorily, of course, you are going to limit in a manner which destroys uniformity and to that extent perhaps that section would be applicable. In other words, in the compensatory payment provisions, as Mr. Forest pointed out—I dislike to call them compensatory payment provisions—I think they are mainly in the nature of equalization provisions, they are primarily designed to equalize costs as among handlers.

Whenever you fix a minimum price for something, you have got to protect that price, to prevent other commodities which are not regulated from coming in at a lower price and undercutting the price which you have fixed. So that in that sense, we do not feel, so long as we are not discriminating, so long as we equalize—we are not in violation of this particular provision. And that is the guide which we have tried to follow in the establishment of these special provisions in our orders which exempt from regulation certain handlers or certain milk but at the same time that we exempt them, we want to protect the others in the market who are fully regulated and who have to pay the minimum prices.

Mr. ANDRESEN. Let me just ask you this: Do you feel that this particular paragraph authorizes the assessment of a fee or penalty or

equalization payment or compensatory payment on milk shipped in from one producing area into a consumption area?

Mr. GIRARD. None of our orders regulate on the basis of producing areas. We regulate on the basis of marketing areas. We do not set any limitations upon milk coming in to that marketing area from any part of the United States.

Mr. ANDRESEN. Providing——

Mr. GIRARD. Well, now, for example: We have the New York milkshed which extends some 600 miles, that covers 6 different States. Within that milkshed we have many, many markets. We have the Philadelphia market, the New Jersey market, the New England and New York State, Schenectady, Rochester, Buffalo—you have the Pittsburgh market. We associate with the New York market not on an area basis the producers who happen to be in that milkshed, but rather, on the basis of whether they have affiliated themselves with the New York market by delivering to a handler who in turn has become a part of the regular supply for that market. In other words, we have to differentiate when we are pricing for a particular market between those who supply the market, and those who do not. We have to define what we mean by the term "handler," what we mean by the term "producer," so as to separate from the mass of milk in the New York milkshed that milk which is associated with particularity, the New York market.

Mr. ANDRESEN. That is your interpretation on this section?

Mr. GIRARD. That is right.

Mr. ANDRESEN. Of course, I happen to be the author of that section.

Mr. GIRARD. I know, sir.

Mr. ANDRESEN. And I know, if I could put any legislative intent into it, what I said in the amendment or wrote into it, the amendment which became the law—

> shall prohibit or in any manner limit in the case of products of milk, the marketing in that area of any milk or products thereof produced in any production area in the United States.

That was very clear to me. That there should not be any limitations or restrictions or penalties imposed on the shipment of milk from one production area to another area in the country.

I feel that you or whoever passed judgment on this paragraph G did not comply with the intent of the Congress as I understood it, being the author of the amendment.

Mr. GIRARD. I might say this, Mr. Congressman, that I misspoke myself. There is one case in which this particular cause was litigated. That is the Bailey Farms case which involved the St. Louis order. That did not involve a payment as such. However, any milk which came into St. Louis was assigned to the lowest available classes in a plant in St. Louis.

However, it was not priced. In other words, if a plant in St. Louis had 3 classes of milk, I, II, and III, and the lowest price class was class III, and that handler bought milk from Chicago, the milk was assigned to class III which had the effect of pushing local producer milk into the higher classes. Consequently, since the handler in St. Louis could only get credit at the surplus price for that milk, the chances are that he would be inclined to pay the surplus price on the milk that he bought.

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It was asserted in the case, that went up before the Eighth Circuit, that that provision violated—that provision of the St. Louis order, violated section 8c (G) and the court held that it did not, because there we were dealing with milk and if you will read the section it says: "It shall not prohibit the movement of milk." The limitation applies to milk products and they thought in that case that that differentiation in language was sufficient to validate the provision of the St. Louis order.

Inasmuch as the allocation of that outside milk to the lowest classes might have had the effect of limiting, the court said, however, this particular section does not use the word "limit" with respect to the milk, but uses it only with respect to "products."

In that case, the Supreme Court denied certiorari.

Mr. FOREST. Might I add also every order provides how a plant may become regulated and be pooled? Any plant located anywhere in the United States, that meets those specifications will have no choice, he will be regulated and he will be pooled.

Mr. ANDRESEN. I admit that but the limitation is on the equalization assessment of the compensatory payment.

Mr. FOREST. He will pay no compensatory payment.

Mr. ANDRESEN. That outside milk must pay.

Mr. FOREST. He pays none if he will become fully regulated like all other plants and ship enough milk into the market to indicate that he is regularly associated with that market. He will then have no choice. He will be regulated in full and pay no compensatory payment.

Mr. ANDRESEN. It happens that prior to the enactment of the act of 1937 that a great deal of cream was shipped from our Midwest area to the Philadelphia area and New York and Boston markets. I know one concern, one cooperative in the Twin Cities called the Twin City Milk, that shipped as many as 1,400 carloads of cream in a year to these eastern markets. And they were cut off after this act was passed. And the only time they will now take their cream is if there is a shortage of cream in the area.

Mr. FOREST. There are no compensatory payments on cream shipped either to Boston or to Philadelphia. There are no compensatory payments. That is an open cream market and any plant can ship cream in there without any payment, without being regulated at all. We do not even receive a report with respect to those shipments.

Mr. ANDRESEN. But they cannot ship milk without paying compensatory payments?

Mr. FOREST. In Philadelphia, they can ship milk without making any compensatory payments.

Mr. ANDRESEN. How about the New York market? What is the compensatory payment there?

Mr. FOREST. If they will ship sufficient milk similar to all the other plants in the New York pool, they will be regulated and will not make compensatory payments. It is only on the sporadic, irregular shipments where they have some advantage that payments are required.

Mr. ABERNETHY. As I understand you, if they become a regular consistent supplier of X quantity, if they do that, they can ship at any time. They will then be regulated if they become regular suppliers.

Mr. ANDRESEN. They have to be regulated even though the quality of milk and standards under which it is produced is equivalent to the regulated producer?

Mr. FOREST. They will be regulated just like everybody else if they become a regular supplier.

Mr. ABERNETHY. Are they embodied in the milk marketing order, or whatever you call it?

Mr. FOREST. They are embodied in the order and the way in which a handler—the amount of milk which he has to ship to become a regular supplier, that is embodied in the order. They apply everywhere to any plant no matter where located.

Mr. ANDRESEN. Does the order then condone or approve the sanitary requirements that are established in so many sections of the country?

Mr. FOREST. No; we do not have a thing to do with the sanitary requirements. We use that only as a definition as to what milk will be regulated but the actual sanitation regulations are fixed by the local either city or State health authorities.

Mr. ANDRESEN. You would not have any objection if the United States Public Milk Code would go into operation over the United States?

Mr. FOREST. That is not my responsibility. We would administer any act of Congress to the best of our ability.

Mr. ANDRESEN. But you interpret the act, whatever act is passed, you people interpret it and administer it. It is only after World War II, the end of it, that we ran into this problem. We had our difficulties, you know, with manufactured milk. I will not go into that now, but we did have it with butter and that is one reason why we have our surplus problem in this country. At least that is one of the reasons.

Will you read into the record from the law the provision which gives the Department the authority to assess a compensatory payment?

Mr. GIRARD. Yes, sir; we rely on section 8c (7) (D) of the statute, which provides—

> that milk orders can contain provisions which are incidental to and not inconsistent with the terms and conditions specified in subsections (5) through (7) and necessary to effectuate the other provisions of our order.

On the basis of these hearing records in the areas in which we do have compensatory payments, it was shown that it was necessary to protect the pricing structure that we established to have the payments so as to equalize cost among handlers. So we feel that the authority for the inclusion of such a provision if supported by substantial, probative, reliable evidence in the record, is authorized under 8c (7) (D).

Mr. ABERNETHY. Has that authority been confirmed by judicial decree?

Mr. GIRARD. No; we do have in the Department now several cases which involve the validity of compensatory payments. We have one in Oklahoma City and one arising under the Cleveland order. And we may have one additional proceeding.

All of those cases are challenging the validity of the provisions of those respective orders for various reasons. One is an allegation that

they do violate 8c (5) (G), that is Congressman Andresen's amendment. We are hopeful that we can get this problem solved once and for all when those cases are ultimately decided. As I say, the *Kass case* in New York—that was *Kass* v. *Brannon* (196 Fed. 2d. 791), the question was argued in that case, but the majority opinion of the court did not treat with the subject at all. They merely felt that the provision we then had in the New York order was discriminatory in that the handler who was charged was required to pay more than fully regulated handlers. That case involved products, incidentally, and not milk and also some cream. The cost of the raw product plus the charge was more than what a New York handler would have had to pay under the New York order. Consequently, they held that under the peculiar facts in that case, the charge was discriminatory and therefore unlawful. They did not, however, indicate that 8c (5) (G) was involved in the question. The question pertained only to the matter of uniformity of pricing among handlers rather than any limitation because of 8c (5) (G).

Mr. ANDRESEN. In other words, did I understand you correctly, as I understand you, the New York court threw out the compensatory payments?

Mr. GIRARD. With respect to condensed milk and cream. Accordingly we have eliminated those from the order. They did not affect the compensatory payments on the class I or fluid milk coming into the marketing area.

Mr. ANDRESEN. I thought I understood you, Mr. Forest, to say there was no compensatory payment that had been charged at any time against cream.

Mr. FOREST. I said in Boston and in Philadelphia.

Mr. GIRARD. With respect to cream, New York City health authorities kept cream out of New York City. Not the Federal order.

Mr. ANDRESEN. Why?

Mr. GIRARD. The health authorities in New York City require that cream brought into New York City must be from approved sources the same as fluid milk. That operates to keep the cream out of New York City. The reason cream got involved in this particular case was that the cream was going into the portion of the New York area included within Nassau and Suffolk Counties which did not have the same health requirements as New York City, itself. Consequently, some cream did get into the area and the charge was imposed on that cream. The court held that the question was not whether a charge was made, but the amount of the charge. So that became a factual problem rather than a statutory construction problem.

Mr. ANDRESEN. What was the amount charged?

Mr. GIRARD. At that time they had a 4–A price, I believe, which was the price of milk used for cheese and butter. And they charged the difference between the butter price and the price of the class in which the cream and condensed skim was used. I think at that time the cream was charged at the class II price. So they had to pay the difference between class IV and class II. Why it got charged at that price was because of other provisions of the order, which dealt with transfers among handlers. If the person receiving that cream and condensed milk used it for ice cream at his plant, the plant at

which it was received would have had no charge. Instead of using the condensed milk at that plant they moved it into another plant. Under the New York order, they did not trace the cream and the condensed milk to the second plant, but the classification became fixed in the form of the product as it left the first plant. So the charge became a matter of the way he handled the milk rather than ultimate utilization.

Mr. ANDRESEN. What was the dollar-and-cents charge against cream as compensatory payment in this case?

Mr. GIRARD. I do not remember, Mr. Congressman, just what the charge was.

Mr. ANDRESEN. Will you find that out and put it into the record?

Mr. GIRARD. Yes, sir.

(The information is as follows:)

OFFICE OF THE GENERAL COUNSEL,
April 22, 1955.

JOHN J. HEIMBURGER, Esq.,
Counsel, Committee on Agriculture,
House of Representatives.

DEAR MR. HEIMBURGER: At the April 20, 1955, hearing of the Dairy Subcommittee of the House of Representatives Committee on Agriculture, Congressman Andresen requested me to prepare, for insertion in the record as part of my testimony, the rate of the compensatory payments held invalid in *Kass* v. *Brannan* (196 F. 2d 791). The information requested by Congressman Andresen is attached.

Sincerely yours,

CLARENCE H. GIRARD,
Chief, Marketing Division.

The compensatory payments held invalid in *Kass* v. *Brannan* (196 F. 2d 791) were as follows:

(1) The difference between the class IV–A price and the class II–A price under the New York order with respect to the milk equivalent of cream marketed in New York as class II–A from an unregulated source: Averaged approximately 86 cents per hundredweight.

(2) The difference between the class IV–A price and the class II–B price under the New York order with respect to the milk equivalent of plain condensed milk marketed in New York as class II–B from an unregulated source: Averaged approximately 74 cents per hundredweight.

(3) The difference between the New York order price and the Cleveland order price with respect to the milk equivalent of plain condensed milk marketed in New York as class II–B from a Cleveland order pool plant: Approximately 28 cents per hundredweight.

Mr. ANDRESEN. You say that you are not including any compensatory payment provision in the new orders that have been issued or in any order?

Mr. GIRARD. No, we do have them but only with respect to milk. In other words, if milk comes into the market area and is used in the bottle, in some of our new orders we have a compensatory charge on that outside milk. In a good many of the orders where we have a marketwide pool, have these percentages of fluid utilization which show affiliation with the markets. A handler to be fully regulated, for example, has to have 10 percent of his supply marketed in the marketing area. If he has 10 percent or more, he is fully regulated. All of the milk that he receives at his plant is priced under the order irrespective of where it is sold. On the other hand, if a handler does not have 10 percent of his supplies coming into the market but does bring some milk in, we merely put a charge on only that milk brought

in the market which will equalize the cost of that milk, because it is not regulated—no minimum price is fixed for it—which will put him on the same basis as the fully regulated handler.

Mr. ANDRESEN. Mr. Chairman, there are a good many other things that I would like to inquire into but the time is so short. We have an important session on the floor. I would like to ask the chairman if he could have Mr. Forest and his associates back here sometime before we conclude the hearings and after we get a chance to study the tables and the material which he has presented.

Mr. ABERNETHY. I think we can arrange that.

Mr. WILLIAMS. A number of public hearings have been held in the New York milkshed during the last period. This announcement by the Secretary on his decision was it based on a new formula or the old one?

Mr. FOREST. The old formula. The Secretary announced that he was going to continue the formula which is now incorporated in the New York order without change, except for this temporary floor of $4.75 that the price will not go lower than that during these next 5 months.

Mr. WILLIAMS. That was to put a floor under the program for 5 months?

Mr. FOREST. That is right.

Mr. WILLIAMS. And the old formula was not changed at all?

Mr. FOREST. Not changed at all.

Mr. WILLIAMS. Those hearings were arranged for the purpose of considering a new formula, were they not?

Mr. FOREST. Yes, the producers up there, the organizations up there, argued that the formula was not giving them a high enough price. They wanted to have a public hearing and put in evidence to suggest a change in that formula or to eliminate the formula and establish a fixed price higher than what they were getting and the Secretary denied both those requests and said that there would be a continuation of the present formula in the New York order.

Mr. WILLIAMS. Thank you.

Mr. LAIRD. I notice in your opening statement that you say one of the purposes of the Federal order was to assure necessary supply of milk in these various metropolitan consuming areas. That is one of the purposes of the order; isn't that true?

Mr. FOREST. Yes.

Mr. LAIRD. What do you consider necessary supply?

Mr. FOREST. Why, I think I made a statement in most markets when—in the short season you get between 15 and 25 percent of the milk utilized in production or uses that are not required to come from approved, regularly approved sources, you would, when you had more than that, you would be getting into excess surplus supply.

Mr. LAIRD. What should the average excess be over the years, of excess milk over necessary fluid milk?

Mr. FOREST. I do not think that you could say that in any one figure. Because, as you well know, the seasonality of production varies from one part of the country to the other. If you had a very even supply of milk where producers delivered just exactly the same amount of milk every month, then you could have a much lower

average surplus than in the case of say, in the Wisconsin operation where the farmers produce a lot more milk in April, May, and June than they do in the fall period.

Mr. LAIRD. Could you supply for the record figures on the excess production in all Federal milk marketing areas for last year, the percentage average of excess production in each order area?

Mr. FOREST. Yes, sir. We have a table showing for each Federal order market the fluid utilization percentage for each month of 1954.

(The information requested is as follows:)

Utilization percentages in Federal order milk marketing areas: Milk used in fluid form as percentage of milk received from producers by months, 1954 [1]

[Percent]

Market	January	February	March	April	May	June	July	August	September	October	November	December
Northeastern markets:												
Boston [2]	59.1	57.5	50.6	45.9	39.8	40.5	51.2	59.3	62.9	65.3	72.9	67.7
Fall River [2]	141.0	142.1	138.4	144.0	133.7	147.2	189.8	193.9	175.1	182.2	192.7	186.4
Merrimack Valley [2]	94.1	92.1	87.0	82.7	78.1	79.5	97.8	100.0	98.5	98.7	104.9	99.0
Springfield [2]	86.3	83.6	78.6	75.3	67.8	73.1	83.7	84.6	89.4	89.0	94.3	90.1
Worcester [2]	103.0	99.7	95.5	92.3	84.6	89.4	100.3	104.1	110.6	112.0	116.7	113.6
Philadelphia [2]	80.2	78.7	76.8	75.8	69.0	74.3	79.8	75.1	76.3	80.7	81.2	78.3
New York [3]	60.3	55.9	50.4	43.8	40.3	41.8	54.4	65.4	67.9	67.8	70.0	66.5
Chicago area markets:												
Chicago	49.6	48.8	47.4	46.5	43.0	45.4	54.4	61.8	73.2	70.9	68.3	61.4
Cedar Rapids-Iowa City	60.7	58.7	58.3	56.3	49.1	46.7	55.6	61.5	70.6	73.4	71.0	63.4
Dubuque	50.0	49.4	48.5	44.4	38.3	36.7	44.7	48.0	76.8	77.3	71.3	66.3
Milwaukee	75.3	75.4	75.0	74.0	72.9	72.6	90.4	95.2	96.4	92.9	94.0	89.9
Quad Cities	56.7	57.6	56.4	53.6	46.2	46.8	53.0	59.1	68.6	72.8	72.5	66.0
Rockford-Freeport	77.1	77.5	77.6	77.5	68.8	69.3	76.3	86.2	99.3	99.4	99.3	93.1
South Bend-La Porte	75.3	71.8	69.2	65.7	57.4	58.8	65.7	65.4	71.9	80.5	85.1	79.3
Lake Erie area markets:												
Detroit [2]	71.4	71.8	70.9	67.5	62.2	60.6	67.7	69.4	73.4	74.9	76.0	74.8
Cleveland [2]	64.9	63.0	59.9	56.9	50.8	54.5	63.2	68.0	70.4	73.2	72.2	69.1
Fort Wayne	67.2	65.1	61.7	57.1	47.2	49.0	53.3	49.2	56.0	65.2	72.1	74.3
Lima	64.0	58.4	59.7	57.7	53.9	52.6	64.2	65.3	68.5	75.0	84.0	83.7
Muskegon	77.7	78.9	75.2	71.1	64.8	64.6	86.8	84.3	81.8	80.1	83.4	81.7
Stark County	76.2	76.3	72.2	69.7	61.0	64.5	76.6	78.3	80.5	82.2	98.2	91.4
Toledo	82.5	81.0	79.0	80.7	77.1	82.4	96.0	102.3	107.4	103.4	91.8	86.9
Southern Ohio markets:												
Cincinnati	69.3	65.0	62.2	58.3	50.0	51.0	57.3	57.2	68.9	78.2	80.9	77.1
Columbus	71.5	70.3	68.8	67.0	57.9	61.2	69.7	72.0	79.2	81.6	81.8	77.9
Dayton-Springfield	77.0	74.7	73.3	71.7	63.2	65.7	73.9	73.5	81.2	82.7	84.5	79.7
Tri-State	94.3	92.3	89.8	82.4	67.1	65.9	72.6	71.0	83.0	97.0	105.5	101.0
Minnesota-West Virginia-South Dakota markets:												
Minneapolis-St. Paul	59.5	57.3	56.2	56.0	58.1	59.9	76.8	90.7	97.7	93.6	87.6	80.0
Duluth-Superior	54.3	51.3	45.7	41.9	39.6	33.9	42.7	53.2	58.1	60.5	58.8	52.3
Omaha-Lincoln-Council Bluffs	70.0	67.1	65.2	63.3	58.5	62.6	76.2	77.3	87.7	89.9	87.4	80.4
Sioux City	69.6	68.1	67.4	72.3	67.4	68.7	81.9	81.9	89.9	89.6	89.5	82.5
Sioux Falls-Mitchell	75.8	74.9	75.0	75.1	69.1	74.6	90.0	89.4	99.7	101.3	105.0	93.1
Black Hills [4]								110.0	107.1	102.8	107.5	100.3
Missouri-Kansas markets:												
St. Louis	84.2	80.3	78.3	70.9	64.8	72.6	82.0	86.1	102.0	101.2	97.3	95.4
Neosho Valley	66.4	64.0	61.2	56.1	54.1	61.9	79.5	83.4	84.9	77.8	70.0	68.6
Kansas City	72.7	72.3	71.7	64.6	55.9	62.1	79.0	78.9	84.4	80.4	74.4	72.4
Topeka	72.7	73.0	71.0	64.6	60.4	65.0	84.4	84.4	95.3	88.6	78.0	71.5

Wichita	66.8	65.8	66.4	63.8	62.1	70.2	82.2	74.1	78.1	75.6	75.4	74.5
Southwest Kansas							72.5	73.7	83.4	82.1	82.5	77.3
Ozarks	48.0	44.0	39.4	32.3	30.0	34.4	58.1	78.0	84.3	84.0	79.8	79.0
Kentucky-Tennessee markets:												
Louisville	73.5	71.0	71.1	64.6	58.3	62.9	73.3	70.9	78.1	79.9	79.2	77.9
Knoxville	92.1	90.2	93.1	86.4	84.0	85.7	98.7	93.7	103.7	106.9	110.9	105.5
Memphis	88.2	85.5	86.2	78.3	81.0	81.5	89.3	90.3	100.8	102.9	102.4	96.3
Nashville	76.3	71.8	73.2	69.1	64.8	65.8	78.4	82.5	93.2	89.2	82.9	78.3
Paducah	119.1	121.3	114.2	96.4	85.7	85.9	92.4	93.2	103.7	99.5	101.2	98.6
Appalachian											118.3	111.6
Oklahoma-Arkansas markets:												
Oklahoma City	76.3	73.6	74.4	72.9	71.4	75.3	90.1	86.7	89.9	83.7	83.9	79.2
Tulsa-Muskogee	75.8	74.3	72.5	65.9	61.2	66.6	82.1	85.9	90.0	84.8	84.3	79.1
Fort Smith	75.3	75.7	75.3	63.9	58.0	64.0	84.3	86.6	101.2	101.1	104.7	104.6
Texas markets:												
North Texas	81.0	75.5	72.4	67.9	69.1	73.7	88.3	91.9	101.0	94.2	95.3	87.6
Central West Texas	95.8	92.6	92.0	90.1	88.1	100.4	110.1	110.8	129.3	123.1	121.4	109.1
San Antonio	108.4	99.4	100.0	97.9	99.0	103.6	107.1	113.6	128.5	125.1	128.1	120.8
Louisiana-Mississippi markets:												
New Orleans	72.4	68.4	70.1	64.8	67.1	70.1	66.8	69.4	80.8	77.0	75.0	67.7
Central Mississippi [4]											113.3	95.6
Other markets: Puget Sound	70.7	69.6	67.3	61.9	49.4	52.3	56.5	57.8	62.7	62.7	69.1	69.3
Total, all markets	64.7	62.4	59.2	55.1	49.9	52.3	63.5	69.6	75.3	75.6	76.6	72.4

[1] Percentages represent that portion of milk received from producers which was needed for fluid uses required to be supplied from approved sources. For all markets other than those noted, fluid use includes whole, skim, and part skim milk, and sweet and sour cream sold within and outside of the marketing area.

[2] Fluid use includes whole milk and skim milk items only.

[3] Fluid use includes cream shipped into the marketing area and all whole milk sold.

[4] Beginning with month in which order became effective.

Mr. LAIRD. And then also the excess production in those order areas which were in 1940?

Mr. FOREST. We will try. Of course, these classifications change. That is why we go to public hearings. The health authorities may change their regulations. So that the class I definition may change.

Mr. LAIRD. I am not talking about prices. I am talking about total production. You would have the figures on total production?

Mr. FOREST. We would have figures on total production, yes, sir.

Mr. LAIRD. Do you have figures on what consumption was of fluid milk in those particular areas?

Mr. FOREST. No, it is not comparable. We have a table in this series where—the best measure we have—we took those States which we could say most of the milk was federally regulated and compared 1950 with the present time and then we took 2 States where there was not much federally regulated milk and compared 1950 with the present time and then we took 2 States where most of the milk was regulated under State regulations and compared 1950 with the present time. We thought that was about the best indication we could get as to whether production was increasing or decreasing in different States, because of Federal orders or State orders, or without regulation. These data are in table 4. We can expand table 4 to include similar information from 1940 to date.

(The table referred to is as follows:)

TABLE 4.—*Milk production in the United States and selected States in which Federal or State orders priced a large part [1] of the milk produced or a relatively small part of the total production, 1940–54*

Year	United States	Federally regulated prices		State regulated prices		Mostly unregulated prices	
		Vermont	New York	California	Connecticut	Minnesota	Wisconsin
	Million pounds						
1940	109,412	1,423	7,658	4,893	670	8,405	12,665
1941	115,088	1,451	7,879	5,091	684	8,824	13,625
1942	118,533	1,466	8,107	5,188	711	8,995	14,239
1943	117,017	1,463	7,741	5,223	688	8,810	14,100
1944	117,023	1,505	7,791	5,479	694	8,390	14,042
1945	119,828	1,534	8,168	5,720	679	8,599	14,939
1946	117,697	1,451	7,783	5,866	652	8,747	14,993
1947	116,814	1,490	8,157	5,974	666	8,398	15,034
1948	112,671	1,442	7,959	5,785	639	7,960	14,384
1949	116,103	1,537	8,698	5,866	691	8,304	14,998
1950	116,602	1,516	8,853	5,991	697	8,067	14,796
1951	114,841	1,495	8,811	6,014	693	7,942	15,047
1952	115,197	1,522	8,960	6,074	697	8,088	15,272
1953	121,149	1,664	9,343	6,610	726	8,590	15,989
1954	123,502	1,692	9,473	7,014	740	8,615	16,550
	Index (1950=100)						
1940	93.8	93.9	86.5	81.7	96.1	104.2	85.6
1941	98.7	95.7	89.0	85.0	98.1	109.4	92.1
1942	101.7	96.7	91.6	86.6	102.0	111.5	96.2
1943	100.4	96.5	87.4	87.2	98.7	109.2	95.3
1944	100.4	99.3	88.0	91.5	99.6	104.0	94.9
1945	102.8	101.2	92.3	95.5	97.4	106.6	101.0
1946	100.9	95.7	87.9	97.9	93.5	108.4	101.3
1947	100.2	98.3	92.1	99.7	95.6	104.1	101.6
1948	96.6	95.1	89.9	96.6	91.7	98.7	97.2
1949	99.6	101.4	98.2	97.9	99.1	102.9	101.4
1950	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1951	98.5	98.6	99.5	100.4	99.4	98.5	101.7
1952	98.8	100.4	101.2	101.4	100.0	100.3	103.2
1953	103.9	109.8	105.5	110.3	104.2	106.5	108.1
1954	105.9	111.6	107.0	117.1	106.2	106.8	111.9

[1] Percent of total milk production in 1953 which was sold under terms of Federal or State regulation: Federal regulation: Vermont 70 percent; New York 65 percent; Minnesota 10 percent; Wisconsin 20 percent. State regulation: California 70 percent; Connecticut 80 percent. There was some additional milk priced by State orders in Vermont and New York and by Federal orders in Connecticut.

Source: Compiled by the Diary Division, AMS.

Mr. LAIRD. How many orders have provisions in them that discourage excess production, such as the base excess payment plan or comparable payment plans?

Mr. FOREST. We do not think that any—we do not have programs in to discourage production. I think that goes contrary to the standards of our act. We are to encourage production at the lowest price at which we can get it. These plans which we are talking about are only for evening out the production to get the farmers who are delivering in April, May, and June to drop their production in April, May, and June.

Mr. LAIRD. Discouraging production during certain periods of the year is the purpose of the base excess proposal.

Mr. FOREST. But to increase the production by the same amount in some other period. To even it out rather than to cut it down.

Mr. LAIRD. And it would reduce the amount of milk being produced in a milkshed, that would be in certain periods of the year, dumped back into manufacturing production. It would seem to me

that this would be the purpose of it. If it is not, it is not working properly.

Mr. FOREST. We do not think that is the purpose. The purpose is to even out the production so that we do not have as much produced in April, May, and June but more produced in the fall.

Then if we could get that, we would get a somewhat lower average price.

Mr. LAIRD. In the case that you were discussing on the Topeka milkshed, if you had three dairies, and dairy A was receiving milk from outside of the particular milkshed on the Topeka market, if that milk was being purchased by that dairy at less than the going market price in Topeka. The Topeka order would require that milk that was shipped in from Wisconsin or Omaha or any place else, could not pass on the lower cost to the particular retail trade that it had; it would share that lower cost with all handlers in the area, is not that true?

Mr. FOREST. Well, now, that is not quite so. We do not have compensatory payments in all orders. In most cases, if a handler was short of milk, and was receiving that milk from Wisconsin, there would be no compensatory payments.

Mr. LAIRD. If he was receiving it?

Mr. FOREST. If he was short of milk.

Mr. LAIRD. If he was receiving it at a lower price.

Mr. FOREST. It is not the price in all cases. It is whether the handler actually needs the milk.

Mr. LAIRD. What if the handler contracts to buy the milk up in Wisconsin, and he bills it at a lower price?

Mr. FOREST. That would not always require a compensatory payment. I am not entirely familiar with that.

Mr. LAIRD. Would you allow that to go on?

Mr. FOREST. That is right.

Mr. LAIRD. You would not require compensatory payment?

Mr. FOREST. If that milk comes in and if it would come in in sufficient quantity, it would be pooled. It would be fully regulated. There would be no compensatory payment. If he imported that in sufficient quantity and brought in enough milk from that plant, it would become——

Mr. LAIRD. You would set the minimum price?

Mr. FOREST. The order would set the minimum price at which that plant would pay its farmers and there would be no payment on it.

Mr. LAIRD. So you would set the minimum price on that particular milk?

Mr. FOREST. No, on all of the milk of the plant which was shipping milk in. Not on that particular milk.

Mr. LAIRD. Say he was short of milk and uses the milk for a period of 3 or 4 months, and received a lower price on it. You are not going to regulate the minimum price. Would you not require compensatory payment?

Mr. FOREST. In the Topeka market, if it is short of milk, and the Administrator makes the determination there is no other milk available, there is no compensatory payment in the Topeka market.

Mr. JOHNSON. The time when you charge for compensatory payment is when there is plenty of milk in the Topeka area and he goes into Wisconsin and Minnesota and buys milk?

Mr. FOREST. Yes.

Mr. JOHNSON. Then he has to pay the Chicago price, if he ships the milk regularly to Topeka at his plant in Wisconsin.

Mr. FOREST. If he is a Chicago handler, then we would regulate him under the Chicago operation at all times.

Mr. JOHNSON. He would have extra trucking charges from his plant?

Mr. FOREST. They have been able to pick that up in what they charge the receiving handler for the milk. They charge the receiving handler enough above transportation to make it worth while to ship it. Last fall I think there were more shipments out of Wisconsin to the South than I think almost in any period since the war.

Mr. LAIRD. That is correct. There was more milk shipped out of Wisconsin last fall when they were short.

Mr. FOREST. Yes.

Mr. LAIRD. Of course, that was shipped out at the request of the various marketing administrators. I mean, they declared the shortage. The milk was shipped for that reason.

Mr. FOREST. But now if you are talking about the Texas markets, especially in Dallas, there are no compensatory payments. Any Wisconsin plant can ship bulk milk to any handler who is short of milk in Dallas, at any time, and not make a compensatory payment.

Mr. LAIRD. But there has to be a shortage declared by the marketing administrator.

Mr. FOREST. Not in the Dallas plant.

Mr. LAIRD. In the Topeka market the shortage would have to be declared before the milk from Wisconsin could come in there?

Mr. FOREST. Yes, without a payment, yes, sir.

Mr. LAIRD. Without a compensatory payment?

Mr. FOREST. Yes, sir.

Mr. LAIRD. But if the shortage was not declared by the marketing administrator at Topeka, then a compensatory payment would have to be paid by the handlers that received the Wisconsin milk to the market?

Mr. FOREST. That is unless it was shipped out of Chicago, out of the Chicago plant.

Mr. LAIRD. If it came out of the Chicago plant that would be something different. He would pay that under the Chicago order.

Mr. FOREST. In the Dallas operation there is not even a finding by the market administrator. If a handler in Dallas is short of milk at any time, he goes to Wisconsin. He does not make any compensatory payment for that milk at any time any month.

Mr. GIRARD. I think that indicates the difficulty and the misleading inferences you draw from generalizing with respect to these milk orders. There are 57 different milk orders. They are each tailored to the particular needs that exist in a particular area, and their provisions vary substantially depending upon what the records have shown to be needed in the particular area. In Dallas we do not need a compensatory payment. In Topeka we need compensatory payments only when there is a plentiful supply of milk, when there is enough milk. You will find these variances between the various areas, between the various orders, depending upon what the hearing record showed to be the situation that needed correcting in the particular market.

Mr. ABERNETHY. The steadiness of production in an area, that is a factor?

Mr. FOREST. That would be an important factor.

Mr. ABERNETHY. That would be the principal factor.

Mr. FOREST. Yes, sir.

Mr. JOHNSON. The principle of these orders was that Chicago and New York areas and in other areas—the dairy farmers in that area could not produce grade A unless they had an order to give them a fair price, wasn't that the idea?

Mr. FOREST. Yes, they thought they were not getting an adequate price.

Mr. JOHNSON. But when they start producing such a surplus they are lowering their own price, are they not?

Mr. FOREST. Yes, and the order price itself is lowered as they produce more milk relative to their sales.

Mr. JOHNSON. It would seem to me that the orders were working against what they were set up for when they allow them to produce these great surpluses in the milkshed areas.

Mr. FOREST. There are other advantages which the producers see in the orders other than price: The fact that the price is out in the open. They know what factors are going to be considered. They have a chance for public hearing when they are dissatisfied. They know that the milk is fully accounted for so that no handler can say he is buying surplus milk and putting it into bottles. They know that the price which they receive is a price which reflects the full utilization of all of the handlers. Those are some of the other benefits than just price which the producers see.

Mr. JOHNSON. By their overproduction, they are working against the area giving them this protection in the surplus that they are producing?

Mr. FOREST. I do think that in 1953 and 1954 all areas increased their production. In the Federal order markets their prices have been reduced in line with the increase in production. I think we are coming into a better adjustment in these fluid milk orders, in fluid milk markets as we are nationally. These somewhat lower prices and lower production and higher sales are coming into better balance and I think we are doing it to the same extent in fluid milk markets as we are doing it nationally.

Mr. JOHNSON. Can you see anything wrong in the working of these orders if, during their short periods, they bring milk from Wisconsin and Minnesota, and these other States that are equipped to produce grade A milk?

Mr. FOREST. I think that is one of the developments that we are working toward. I think the last amendment in New York indicated with respect to compensatory payments when the New York market is short of milk, there will be no compensatory payment. Topeka is another example.

Mr. JOHNSON. You would not have to have your herd so big—build them up so you had this big surplus during the flush season.

Mr. FOREST. Of course that Midwest milk is pretty expensive by the time it gets to New York. So that the New York people would just as soon buy local milk cheaper than this Midwestern milk which would be at a high price.

Mr. ANDRESEN. If you have not it already in your tables, I would like to ask you to show, say beginning in the year 1950, the increase

in the production of milk in these milksheds operating under orders, the increased number of milk cows in the area, and also show the volume of increase or the volume of production of manufactured products in each area.

Mr. FOREST. I had that statement, that is in the statement, it is the amount of butter and cheese, and so on.

Mr. JOHNSON. Mr. Laird asked for a table. I wondered if you were going to show the surplus production that he asked about by months?

Mr. FOREST. We could show it by months. All I was stating to him was not to do it by these order areas because the areas have changed. What we did was to try to take it by States which I think is much more significant, like in Vermont, the whole State, is mostly federally regulated.

That is a better measure as to what is happening because of the Federal order than trying to do it by taking the Federal order in Boston.

I think we can do that by months if you would prefer it.

Mr. ABERNETHY. Mr. Forest, I want to ask one question. I was not here in the days when this act, to which you and Mr. Andresen referred, was passed. I have been trying to picture in my mind what the situation was prior to that act. Is it fair to say that prior to the act that in these large consuming areas there was an irregular supply of milk and also an unsteady price? Is it fair to say that that was the situation?

Mr. FOREST. Yes, sir.

Mr. ABERNETHY. Is that what the act was intended to correct?

Mr. FOREST. Yes, I think if you can simplify it that much, those were two very important factors.

Mr. ABERNETHY. We had a definite understanding here that you people would not be questioned at this time with regard to policy in the Department. I certainly will not ask anything that would trespass upon that agreement. In your opinion and with your experience with the act which seems to have been over a long period of years, is it your opinion that the act has been of benefit to the consumer, the handler and the producer, and to their advantage?

Mr. FOREST. Yes, sir, emphatically I would endorse that.

Mr. ABERNETHY. Is it your opinion that it has been to the disinterest of the producers outside of these particular milk-marketing areas or is the act flexible enough in your judgment that they can, if they desire, market milk in those areas, assuming of course they come under the same requirements and regulations of those who are actually in the area?

Mr. FOREST. Yes, sir, I think the latter idea is correct and the act is very flexible in that aspect and the way it has been administered I think has been also.

Mr. ABERNETHY. What percentage of milk is marketed in these milk marketing areas, consuming areas that is not produced in those particular areas, what percentage comes in from the outside?

Mr. FOREST. Well, we do not regulate production areas. The consuming area like New York City—we regulate all milk wherever produced that comes into New York City. It could be produced in Ohio, or Vermont, or New York. For example, in New York City we would have to say 100 percent of it pretty nearly came from outside of the marketing area.

Mr. ABERNETHY. We have people from Wisconsin and Minnesota who are very much interested in this matter. Is milk now coming out of Wisconsin into the New York area?

Mr. FOREST. No, sir.

Mr. ABERNETHY. All right. Suppose Mr. Laird and Mr. Johnson desired to market milk from their area in New York City; what would they have to do to get it in there?

Mr. FOREST. So far as the Federal order is concerned they would just find someone to buy it.

Mr. ABERNETHY. Because that is the only thing you——

Mr. FOREST. So far as the Federal order is concerned, all they have to do is to find somebody who will buy a sufficient quantity of their milk and they will have no choice. They will be regulated and producers will be pooled.

Mr. ABERNETHY. When you say to find somebody that will handle it, do they have to go a step further and become regular suppliers?

Mr. FOREST. Somebody who will buy enough of their milk so that they come under the terms of the order, and become a supplier for the New York area.

Mr. ABERNETHY. A steady supplier?

Mr. FOREST. Yes, sir.

Mr. ABERNETHY. What is the reason for requiring them to become a steady supplier? I will withdraw that because if they did not do so, they would disrupt one of the very objectives for which the act was passed. Under any other situation there would be an unsteady price, and also an unsteady supply.

Mr. FOREST. Yes, sir; I think that would be the case. Also, it would put some handlers at a disadvantage because they happen to ship in 1 or 2 tanks of milk, their whole operation would be regulated.

Mr. LAIRD. Mr. Chairman, I think, it is to be pointed out when you are answering these questions that you have to look at each plant separately.

Mr. FOREST. Yes, sir.

Mr. LAIRD. You are talking about the New York plant. Well, if you talk about the Federal order, you here would have to go behind that Federal order and look at the other restrictions, the other restrictive measures which have been drawn up around the New York market which have nothing to do with the Federal order. These barriers are superimposed upon the local New York market, but the Federal order was placed upon the New York marketing area knowing that these local restrictions existed and there was nothing that you could do to correct those restrictions.

Mr. FOREST. That is right.

Mr. LAIRD. That is the reason all milk consumed in New York City comes from a Federal-order area at the present time.

Mr. FOREST. It comes from fully regulated sources, I think.

Mr. LAIRD. Federally regulated sources.

Mr. FOREST. Yes.

Mr. LAIRD. No milk is sold as bottled milk in the New York market that comes from outside of federally regulated carriers?

Mr. FOREST. Yes, I think that is one of the items which some of the experts who have looked at New York have indicated, that we do have too much milk in there that is being regulated and pooled, that they have absorbed all of the surplus of all of the markets sur-

rounding it, so that the New York farmer is carrying all of that surplus and because he has all of that surplus, and the price is reduced because of the increased supply. That is one of the things that we heard at this public hearing that the New York farmer takes it two ways: he takes all of the surplus of these other markets and then we include that as a supply of milk for New York and reduce the New York farmers' price even more.

Mr. JOHNSON. Shortly after World War II, a group of these handlers went into Wisconsin, had the farmers equip for grade A milk, and so forth, and I do not think it was going much more than 6 months and it was cut off. Do you know the cause for that?

Mr. FOREST. No, I do not.

Mr. JOHNSON. I wonder if you could supply that information in the Wisconsin case as to what happened?

Mr. FOREST. That would not come in our responsibility. We would not have any information on that.

Mr. ABERNETHY. Any further questions, gentlemen? I assume that you and your associates can come back at a later date?

Mr. FOREST. Yes, sir, any time.

Mr. ABERNETHY. Mr. Forest, we appreciate your appearance. You have been very helpful. Your testimony has been quite helpful. We thank you.

We will stand adjourned until 10 o'clock tomorrow.

(At 12:10 p. m. the subcommittee recessed to reconvene at 10 a. m. Thursday, April 21, 1955.)

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STUDY OF THE DAIRY INDUSTRY

THURSDAY, APRIL 21, 1955

HOUSE OF REPRESENTATIVES,
COMMODITY SUBCOMMITTEE ON DAIRY PRODUCTS,
OF THE COMMITTEE ON AGRICULTURE,
Washington, D. C.

The Commodity Subcommittee met, pursuant to recess, at 10 a. m., in room 1310 New House Office Building, Hon. Thomas G. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy, Polk, Johnson, Knutson, Andresen, Williams, and Laird.

Also present: Representative Watts.

John J. Heimburger, Counsel.

Mr. ABERNETHY. The subcommittee is convening this morning for the purpose of hearing testimony from Mr. H. J. Emery, Chief, Program Analysis Branch, Livestock and Dairy Division of the Commodity Stabilization Service, USDA.

You may have a seat at the table, Mr. Emery. I assume that you have a prepared statement.

STATEMENT OF H. J. EMERY, CHIEF, PROGRAM ANALYSIS BRANCH, LIVESTOCK AND DAIRY DIVISION, COMMODITY STABILIZATION SERVICE, USDA

Mr. EMERY. Yes, sir.

Mr. ABERNETHY. We are delighted to have you with us. You may proceed with your statement.

Mr. ANDRESEN. How long have you been with the Department?

Mr. EMERY. Twenty years.

Mr. ANDRESEN. Twenty years?

Mr. EMERY. Yes, sir.

Mr. ABERNETHY. For the benefit of the record, will you identify yourself, state what your position is, how long you have been with the Department, what your assignment is, and so forth.

Mr. EMERY. My name is H. J. Emery, Chief of the Program Analysis Branch of the Livestock and Dairy Division, Commodity Stabilization Service, USDA.

I have been with the Department about 20 years, a little over, and my work has been primarily on the dairy price-support program.

I have here a brief statement, summarizing mainly the dairy price support operations during the past year. It is very brief. Possibly you may want to fill in details by questions as we go along.

SUPPORT PRICES

Prices to producers for milk and butterfat were supported during the marketing year that ended March 31, 1955, in accordance with the

Agricultural Act of 1949, as amended. The announced support level was 75 percent of the parity price of butterfat in farm-separated cream, and 75 percent of the parity equivalent price of manufacturing milk. The support prices were 56.2 cents a pound of butterfat and $3.15 a hundred pounds of manufacturing milk. The support program carried out its objective. The prices received by producers during the marketing year averaged slightly above the support prices.

Mr. ANDRESEN. Is this a national average price that you quote?

Mr. EMERY. Yes.

Mr. ANDRESEN. It would not apply to one particular State or one particular section. You have taken the whole country and have averaged it up and you average up the price of manufactured milk in the milkshed areas as well as a part of this average.

Mr. EMERY. Any prices of manufacturing milk reported to the Department of Agriculture in the compilation of its prices is in there.

Mr. ANDRESEN. Would this take in the blended price for milk where that milk goes into manufactured products?

Mr. EMERY. Insofar as I know, Mr. Andresen, that includes the prices reported by manufacturing plants paid for milk used for manufacturing purposes regardless of where it is. I cannot advise you specifically as to just which prices are in there—which areas.

Mr. ANDRESEN. The reason I bring this up is because out in my area, in southern Minnesota, and I think that is true throughout the entire State, the price of 3.5 milk is $2.95. That was the last quotation I had. That is to the farmers.

Are your figures on the basis of 3.5 milk or 3.9?

Mr. EMERY. Three point nine percent, which is the national average butterfat test.

Mr. ANDRESEN. Then the price of $2.90 a hundred would probably be correct on the basis of your calculation for the national average?

Mr. EMERY. That $2.90 for 3.5 percent milk, I would think, would be more than $3.15 for 3.95 percent milk.

Mr. ANDRESEN. It would be more?

Mr. EMERY. I would think so.

Mr. ANDRESEN. It would be 3.15 or more?

Mr. EMERY. By quick figuring, I think it would be a little more than $3.15 for 3.95 percent milk.

Mr. ABERNETHY. What you have said does not necessarily mean that every dairy producer in marketing his milk has received throughout that period a minimum of 75 percent parity?

Mr. EMERY. That is correct.

Mr. ABERNETHY. In other words, what you have testified to is the national average?

Mr. EMERY. That is correct.

Mr. ABERNETHY. I may be wrong about this, but my recollection is that there was some language that went into the act last year, which was more or less in the form of a directive directing the Secretary to see to it that the price paid all dairymen reflected the then prevailing parity support price. What has the Department been able to do about that?

Mr. EMERY. We have interpreted the law to mean that if we carry out a national average support price, that we have accomplished the intent of the act, and that we would not carry it out if we permitted the national average to fall below 75 percent. We have to recognize,

as the data show, that there are normally wide variations in the prices paid to producers, associated with such factors as location, uses, quality, and particularly the volumes and efficiencies of the different plants. Normally, there are wide variations. And we feel that under the support program the prices paid to the individuals must be established and controlled by those market factors rather than by the Government.

Mr. ABERNETHY. Let me put it this way. Suppose farm A sells his milk to manufacturer B, and it is sold at less than—I might say in some instances, considerably less, of which I know—75 percent of parity. Then that manufacturer takes that milk and processes it into cheese or some other product and then, in turn, the manufacturer puts that cheese into the hands of the Commodity Credit Corporation, or whatever the procedure is. He collects from the Commodity Credit Corporation, on the basis of 75 percent of parity; does he not?

Mr. EMERY. He collects from Commodity Credit Corporation our purchase price of cheese.

Mr. ABERNETHY. Even though he has not paid on the basis of 75 percent of parity for the raw product?

Mr. EMERY. I would like to qualify that. You say even though he has not paid on the basis of it. He may not have paid the national average support.

Mr. ABERNETHY. I am not talking about the national average. I am talking about 75 percent, the minimum.

Mr. EMERY. Even assuming 75 percent, we feel that if he pays what he normally would pay when the United States average price is at 75 percent of parity, so far as we are concerned, he has returned the 75 percent.

Mr. ABERNETHY. Won't the situation that I have outlined create a windfall for manufacturers? Has it not done that in some instances?

Mr. EMERY. I do not think so.

Mr. ABERNETHY. It has not.

Mr. EMERY. I think that the reason plants pay below the national average is that they have a small volume and high cost. Most of them could not pay more if they wanted to.

Mr. ABERNETHY. Well, then, the 75 percent minimum does not mean anything; does it?

Mr. EMERY. Yes, sir; it means the national average. We support the general level.

Mr. ABERNETHY. The act does not read "national average," does it?

Mr. EMERY. No, sir.

Mr. ABERNETHY. Who put that language "national average" into the act? How did it get in there? Who read it in there?

Mr. EMERY. Well, the legislation is very general on that point. The Department of Agriculture, ever since we have had price support, has interpreted the parity to be a national average.

Mr. ABERNETHY. I want to say that I realize that the problem would be a very difficult one. That is to say, it would be difficult for the Department to police the sale of every hundredweight of milk that went into the market, to see that they got the minimum price, but at least I believe that was the intention of the act.

Mr. ANDRESEN. I just want to develop that a little further. What is the price paid on butter at 75 percent of parity by Commodity Credit Corporation?

Mr. EMERY. The present Chicago grade A price is 57.5 cents.

Mr. ANDRESEN. And that is paid in all parts of the country; isn't it?

Mr. EMERY. We have a differential for New York, three-quarters of a cent higher. Then we have prices on the west coast markets. The purchase price at any other point is the designated market price named by the seller less a freight factor from his location to that market, so in effect we have area differentials in our buying prices.

Mr. ANDRESEN. How would you treat a case? We will say that a creamery in Mississippi makes butter, sells it to the Commodity Credit Corporation.

Would you pay more down in Mississippi than you would in Chicago, because of the freight differential?

Mr. EMERY. No; we pay less.

Mr. ANDRESEN. You pay less?

Mr. EMERY. That creamery likely——

Mr. ABERNETHY. We have been getting that kind of treatment for a long time.

Mr. EMERY. That creamery likely would name New York as its basing point and its price would be New York less 80 percent of the gross rail freight from the Mississippi point to New York, which is nearly equal to the usual market price differential.

Mr. ABERNETHY. Would you repeat that?

Mr. EMERY. The creamery in Mississippi probably would select New York as his basing point in which case the price would be 58¼ cents, less 80 percent of the gross freight rate from Mississippi to New York.

The 80-percent factor is to make it advantageous for him to sell it to CCC in Mississippi, instead of shipping it to New York and selling it to CCC there.

Mr. ANDRESEN. Then you use Chicago as one basing point and New York as another basing point?

Mr. ABERNETHY. What is wrong with Memphis? That is closer to home. Would that help any?

Mr. EMERY. We have named the major receiving points for butter which conventionally are Chicago and New York.

Mr. ANDRESEN. This butter may be stored at Memphis?

Mr. EMERY. Correct.

Mr. ANDRESEN. And it may even be sold back into the trade at Memphis?

Mr. EMERY. If it were Mississippi butter stored in Memphis, then our buying price would be New York less the freight factor from Memphis to New York.

Mr. JOHNSON. Does the Department do any checking back on a particular handler or manufacturer what he paid the farmer?

Mr. EMERY. No.

Mr. JOHNSON. For the butter or cheese?

Mr. EMERY. What he pays the farmer for the milk?

Mr. JOHNSON. Yes.

Mr. EMERY. No, we do not. We follow the United States average prices and if the United States average price equals our support price, we consider that the program has carried out its objective.

Mr. LAIRD. Mr. Emery, is not it true that on several occasions you have asked for certification of the particular processor as to what percentage of parity he paid for the milk that went into his particular product?

Mr. EMERY. No.

Mr. LAIRD. You did not ask for certification at the time of the reduction in the support level on manufactured dairy products. It was my understanding that certifications were asked for from the seller of the commodity and the seller had to certify that the product, milk that went into the product, was purchased from the farmer at a certain percentage of parity in order to receive a benefit from the so-called wash-sale provisions which were in effect a year ago last April.

Mr. EMERY. I do not recall that.

Mr. LAIRD. In order for anyone to benefit from the wash-sale provision which was in effect you recall many, many producers sold on March 30–31, bought back on April 1 and April 2?

Mr. EMERY. Yes, sir.

Mr. LAIRD. It is my understanding that certification was called for at that time in order to qualify under that program.

Mr. EMERY. No, I am very familiar with the details of the announcements that were put out which set forth the terms and conditions of the purchases and the sales, and none of them called for such a certification. We considered it on numerous occasions.

Mr. LAIRD. Don't you check that? There have been people out in my district in the last month checking at cheese factories as to the price being paid to the farmer at those cheese factories and also butter plants. Are they just doing that to see how the program is working or what is the reason they are checking?

Mr. EMERY. I do not know who they are.

Mr. LAIRD. One of them is Mr. Don Anderson of the Department of Agriculture and I believe he is going out there again this month to make another check.

I think the Department has shown an interest in that.

Mr. EMERY. That is correct. There have been some complaints.

Mr. LAIRD. I thought the record might look as if the Department had shown no interest in that and I think that they have shown an interest in checking that.

Mr. EMERY. Yes. I thought you meant that we had a formal certification.

Mr. JOHNSON. I wanted to know before they bought butter from a particular creamery if they checked into what the creamery was paying the farmer for milk.

Mr. EMERY. No, we do not.

Mr. ABERNETHY. Then how do you know that the farmer received the national average?

Mr. EMERY. We know that all farmers as a group received the national average.

Mr. ABERNETHY. If you do not have some check as to what is being paid, then how do you know? How can you determine it?

Mr. EMERY. Because the Department collects every month, through its regular price reporting system, it collects data as to what the plants pay farmers for milk and for butterfat.

Mr. ABERNETHY. There is a check made, then, from the reports made by the purchasers?

Mr. EMERY. Yes.

Mr. WATTS. Mr. Emery, this is a subject that I do not know much about. I am trying to find out something. I have three dairies

where we milk and sell our milk. I have heard all my life about the programs and milk orders. What is it you support?

Mr. EMERY. We support the prices to the producers about milk and butterfat——

Mr. WATTS. Producers.

Mr. EMERY. The farmers.

Mr. WATTS. What items do you support?

Mr. EMERY. We support two items, two commodities: One is butterfat in farm-separated cream.

Mr. WATTS. Farm-separated cream?

Mr. EMERY. Yes.

Mr. WATTS. You do not support whole milk?

Mr. EMERY. Secondly, we support whole milk.

Mr. WATTS. How does your support on whole milk operate?

Mr. EMERY. We purchase butter and nonfat dry milk solids and cheese at prices that will enable the manufacturing plants on the average to pay to farmers prices that, for the Nation as a whole, will equal the support price.

Mr. WATTS. Do you set a support price on whole milk?

Mr. EMERY. On manufacturing milk, yes.

Mr. WATTS. On milk used in manufacturing?

Mr. EMERY. Yes.

Mr. WATTS. Do you consider milk that is distributed for human consumption in the bottle manufacturing milk?

Mr. EMERY. No. It is milk used in making such products as butter, nonfat dry milk and cheese.

Mr. WATTS. And you support, you set up support price on that type of milk?

Mr. EMERY. We directly support that type of milk. We indirectly support all milk by standing ready under this program to buy, in the form of dairy products, all milk that is not sold to consumers as fluid milk or in the form of ice cream or cheese or butter or evaporated milk—we remove all of that milk in the form of butter, nonfat dry milk and cheese.

Mr. WATTS. Those are the three end items that you support?

Mr. EMERY. They are the products we buy.

Mr. WATTS. You support those end items on a basis where the raw milk is valued at $3.15 on the national average?

Mr. EMERY. That is correct. I would like to make one qualification, that is, we consistently maintain that we do not support prices of butter, nonfat dry milk, and cheese. We support the prices to the farmers for milk and butterfat.

Mr. WATTS. Your only support consists of your purchasing of these items?

Mr. EMERY. That is right.

Mr. WATTS. From the handler as they call him——

Mr. EMERY. That is right.

Mr. WATTS. And you pay him for his end products?

Mr. EMERY. That is correct.

Mr. WATTS. A price that would justify him paying the farmer $3.15 a hundredweight for the whole milk that he delivers?

Mr. EMERY. On a national average.

Mr. WATTS. On a national average?

Mr. EMERY. Yes.

Mr. WATTS. As I understand it, you make no effort to see whether or not the producers are passing that price on to the person they buy milk from in individual cases?

Mr. EMERY. Not in individual cases.

Mr. WATTS. Suppose it shows that they are paying over the Nation $2.80? What do you do?

Mr. EMERY. Nationwide?

Mr. WATTS. Yes.

Mr. EMERY. The Secretary would have to consider further action.

Mr. WATTS. What further action could he take? That is what I am trying to find out.

Mr. EMERY. He could increase the purchase price of the products.

Mr. WATTS. Suppose he increased the purchase price of the butter next month and found out they are still paying $2.80?

Mr. EMERY. That is an unlikely situation.

Mr. WATTS. It may be unlikely, but the way some buy milk down in my part of the country, it would not be too unlikely. What I want to know is what have you in your law or in your regulation that attempts to see to it that the handler or the manufacturer passes on some of this parity that we are talking about to the producer?

Mr. EMERY. We believe from our studies of the situation and the operation of these programs there is sufficient competition among these manufacturers so that when we do buy the products at these prices they do pay in most cases to the farmers the prices that they normally would pay when the national average price is at the support level. We believe that competition does carry the benefits of the support program back to the producer.

Mr. WATTS. What competition are you talking about?

Mr. EMERY. I am talking about the competition——

Mr. WATTS. Sale of the end products?

Mr. EMERY. No, the competition among plants for the milk and the butterfat. There are around 5,000, at least, manufacturing plants in the United States making butter, cheese, nonfat dry milk, evaporated milk and other manufactured dairy products.

Mr. WATTS. I think I sell Grade A 4 percent milk at about $2.65. I am falling way down below $3.15.

Mr. ANDRESEN. How much is $2.65? Are you in an order area?

Mr. WATTS. I am in an order area, in the case of one dairy, but the others are around Lexington. There is no milk order there.

Mr. ANDRESEN. Is your milk sold largely as fluid milk?

Mr. WATTS. You see, we have this kind of an arrangement, if you will pardon me for going into it. We furnish Grade A. It is Grade A after it is pasteurized to the local dairies in Lexington, Ky., that bottle it and distribute it. But at this time of the year, they do not want the extra surplus milk. In other words, they set a quota on us. They will not take in the spring over 110 percent of the amount of the milk, I believe it is, that we furnished them in the fall.

So we have this surplus milk. Usually in order to keep from affecting our fall base, which is tied in with the spring base, we sell the surplus milk to the cheese factories, to the processing factories. And at the same time we are furnishing our quota to the regular dairy that distributes in the bottle and we dump the rest into the cheese factory.

Mr. ANDRESEN. How much do you get for that? What goes into your regular?

Mr. WATTS. I think it is about $3.60 or $3.70. There is a variation, whatever they want to give. The rest we have to dump where we can. We are getting now either $2.65 or $2.70 for 4-percent milk. It is the same milk that makes Grade A milk produced in the same kind of dairy except the local consumer, I mean the local dairyman that bottles it does not want it at this time of the year.

Mr. ANDRESEN. Will the gentleman yield?

Mr. WATTS. Yes, sir.

Mr. ANDRESEN. Last year when I was chairman of this subcommittee, I received quite a few complaints from the dairy farmers over the country, that they were not getting 90 percent of parity or 75 percent of parity, and I looked into it and I found, and you have touched on it to begin with, that the large overhead expense of the operating plant or processing plants brought down the amount that the farmers received. Have you found that situation to be a fact?

Mr. EMERY. Yes, we have very carefully considered this whole problem, and considered whether or not we should require or attempt to require a certification. Immediately we run into the problem of what price would we require them to certify. We know from the reports there is a wide variation in these prices paid. So suppose we would say, you must certify that you have paid $3.15?

We know there are a lot of small cheese factories, a lot of small cooperatives, that because of their volumes and their costs cannot pay $3.15. So under that kind of a situation we would in effect be saying, "We won't buy your products. We will deny you price support."

Now the result of that would be that those plants, those cooperatives would have to sell all of their products into the market at some kind of a discount price to move them. We would simply have to buy that much more product from the large manufacturers who could pay at least $3.15. There would be another problem. In many areas particularly some areas in Wisconsin and Minnesota where you have extreme competition, where the prices they pay usually are above the average—we undoubtedly would receive complaints from the farmers in those areas that we were, in effect, telling these plants that all they had to pay is $3.15. So we would get criticism on that side.

Mr. ANDRESEN. Where do you arrive—if you will permit this further question, Mr. Watts—where do you arrive at the figure of national average on the basis of 3.9 milk when as far as I am able to learn, most of the fluid milk that is sold in this country and produced in this country is 3.5 milk?

Mr. EMERY. I think, Congressman Andresen, that the 3.5 milk is a rather common basis of paying for milk. However, the data collected by the Department indicate, and these data come from the manufacturing plants, that the national yearly average butterfat test of the manufacturing milk approximates 3.95 percent butterfat.

Mr. ANDRESEN. I know that when we buy fluid milk it is mostly 3.5 milk, very little of it goes out as 4-percent milk, as the gentleman has stated.

Mr. EMERY. That is the practice of standardizing the milk going into the bottles.

Mr. ANDRESEN. That is 3.5?

Mr. EMERY. The State minimums range, as I recall, from 3 to 3.8. The data that the Department has assembled indicates that the prevailing tests of bottled milk for the Nation as a whole are around 3.7 percent.

Mr. ANDRESEN. Is there any minimum requirement like here in the District of Columbia?

Mr. EMERY. Each State has a minimum butterfat test for milk going into bottles.

Mr. ANDRESEN. What is the minimum here in the District of Columbia?

Mr. EMERY. I do not recall, sir.

Mr. ANDRESEN. Thank you very much, Mr. Watts.

Mr. WATTS. I can see you have a problem in saying to each handler, as I believe they have been termed, that he has to do this particular thing and that particular thing in the sense that he has to report what he pays to producers. Have you given any thought to setting a percentagewise basis in that if you find a producer who is absolutely discriminating to a certain percent against the producers, that you do not take his products?

Mr. EMERY. We have given that very careful consideration. We have felt, however, that situations of that kind exist whether we have a support program or not. It is not a problem of the support program. The question arises as to whether the support program should be used to bring about reform in the industry.

Mr. WATTS. What is the principal purpose of the support program, what do you hope to achieve by it?

Mr. EMERY. We hope to support the general level of prices for the Nation as a whole so that the producers will get what they normally would get when the average price equals the support level.

Mr. WATTS. Is the support program principally for the producer or the handler?

Mr. EMERY. For the producer.

Mr. WATTS. You would think some consideration ought to be given to an idea of seeing to it that there is not any big discrimination against the producer by the handlers who secure the support price.

Mr. EMERY. Yes, sir, if there were some practical method of doing it.

Mr. WATTS. That is all.

Mr. JOHNSON. How does your purchase program of butter and cheese and dried milk support the price of condensed milk?

Mr. EMERY. By standing ready to buy all butter, nonfat dry milk and cheddar cheese offered in accordance with our announcement, we thereby take off the market all of the milk that cannot be sold in commercial outlets in the form of those three products and in the form of evaporated milk and other dairy products.

Mr. JOHNSON. That is all.

Mr. ABERNETHY. All right, you may proceed with your statement.

Mr. EMERY. The announced support prices for 1955–56 are the same as the 1954–55 support prices. They represent as of the beginning of the marketing year 76 percent of parity for butterfat and 80 percent of the modernized parity equivalent price of manufacturing milk.

PRICE SUPPORT PURCHASES

Commodity Credit Corporation purchased the following quantities of products under the 1954–55 program: Butter, 211 million pounds; cheddar cheese, 153 million pounds; nonfat dry milk solids, 523 million pounds.

These quantities were equivalent to about 6 percent of the total quantity of milk and butterfat sold by farmers, compared with 11 percent removed from the market in 1953ffl54.

The decrease in price support purchases resulted from the leveling off in milk production and the increase in consumption of milk and its products in regular market outlets.

Milk production in the 1954–55 marketing year totaled 123 billion pounds, or slightly more than in 1953–54. Compared with a year earlier, milk production was up 4 percent last April and May, averaged about the same during the summer and autumn, and was down 1 percent during the recent winter.

Production of butter, cheese and nonfat dry milk was less in 1954–55 than in the preceding year. Production of all three products early in the marketing year was above a year earlier, but since June it has been lower. Production of all three products in recent months has been down sharply from a year ago.

The smaller production of butter, cheese, and nonfat dry milk may be accounted for by the increased consumption of milk in regular market outlets, in the school-lunch program and by the military agencies. The decrease in price-support purchases resulted from both lower production and increased consumption of butter, cheese, and nonfat dry milk in the regular markets.

Price-support purchases in the first half of April 1955 were 9.1 million pounds of butter, 3.6 million pounds of cheese, and 48 million pounds of nonfat dry milk. This includes contracts to purchase 28 million pounds of nonfat dry milk in small packages for delivery during the next 2½ months.

Mr. ABERNETHY. How does that compare with the same period a year ago?

Mr. EMERY. These purchases are substantially larger than in the first 2 weeks of April a year ago.

Mr. ABERNETHY. I believe you answer that in the next paragraph.

Mr. EMERY. These purchases were larger than a year earlier when relatively small quantities were bought in early April following the very heavy purchases in March 1954.

Mr. ABERNETHY. Was the production in that period higher or lower than the comparable period of a year ago?

Mr. EMERY. The latest figures we have indicate that production of butter, cheese, and nonfat dry milk is substantially lower than a year ago.

Mr. ABERNETHY. But you purchased more?

Mr. EMERY. Let me point out that when I say the latest figures——

Mr. ABERNETHY. Mr. Laird just made a very pertinent observation. You had a change in the support prices at that time a year ago; didn't you?

Mr. EMERY. Yes, we bought very heavily in March and bought very little in early April.

Mr. ABERNETHY. I do not care to pursue that question further now.

Mr. JOHNSON. In the fourth paragraph, you say that smaller production of butter, cheese, and nonfat dry milk may be accounted for

by the increased consumption of milk in regular market outlets, in the school-lunch program, and by the military agencies. You do not mention the drought that went on all through the South and Southwest.

Mr. EMERY. That is correct. Although earlier I have indicated that milk production has leveled off.

Mr. JOHNSON. Do you think the drought had any great effect on it?

Mr. EMERY. It may have been a significant factor.

Mr. LAIRD. The drought would not have increased the consumption figures; that is what he is talking about here.

Mr. EMERY. No.

Mr. WATTS. May I go back and ask one question? You say you supported the price of butterfat at 76 percent of parity, and milk at 80 percent of modernized parity. Do you use two different types of parity in these supports or are both of them modernized parity?

Mr. EMERY. This modernized parity is not the one talked about in the act. This is a modernized method of computing the parity equivalent price of manufactured milk. That is an administrative determination.

Mr. WATTS. Is the butterfat supported at 76 percent?

Mr. EMERY. That is based on the parity price of butterfat

Mr. WATTS. Is that modernized parity?

Mr. EMERY. It is modernized parity provided for in the Agricultural Acts of 1948 and 1949. Perhaps the word "modernized" should not be used in connection with the parity equivalent price for manufacturing milk. The Department computes and publishes two parities. One is parity for butterfat in farm separated cream. The other is the parity price of all milk. For purposes of the support program, we administratively determine a parity equivalent price of manufacturing milk. We used to compute that as 88½ percent of the parity price of all milk. That percentage figure was the average relationship from July 1946 through December 1948 which was the most recent period since the end of price controls when this parity equivalent was first computed. We have revised the method of computing the parity equivalent by taking a longer period. We now use all of the period since July 1946, and use that average realtionship, and from here on we will add each year until we get 10 years; then we will use a 10-year moving average relationship.

Mr. WATTS. Did the change result in a higher or lower support price?

Mr. EMERY. In a lower parity equivalent price.

Mr. WATTS. In other words, the 80 percent that you are talking about as the modernized parity, is really lower than some other percent figures, figured the other way?

Mr. EMERY. What we did was to continue the same support prices, the same dollars and cents support prices that we had last year.

Mr. WATTS. Just changed your percentage?

Mr. EMERY. It changed the percentage.

Mr. WATTS. In other words, you just did a little bookkeeping so far as the farmer was concerned?

Mr. EMERY. It did not raise the dollars and cents support price.

Mr. ANDRESEN. If you had not had a decision to maintain the same dollars and cents support price, why the prices would have gone down approximately 20 cents a hundredweight on manufactured milk?

Mr. EMERY. Something like that.

Mr. ANDRESEN. For the record, I would like to have it shown that there were some of us who were busy on that at the time when the announcement was leaked out, there was going to be a drop of 20 cents a hundred and the Secretary said he would maintain the same dollar-and-cent price. Has it been the plan of your particular office to reduce the price under the new parity formula 20 cents a hundred?

Mr. EMERY. I am sorry, I did not get your question.

Mr. ANDRESEN. Has it been your plan in your division to calculate the new support price on manufactured milk at about 20 cents a hundred less for this year.

Mr. EMERY. No.

Mr. ANDRESEN. Well, the information came out that you were going to do that and some of us got in touch with the Secretary and called his attention to it, and what was being done within the Department, and then he decided that he would continue the same dollar-and-cent price.

Mr. ABERNETHY. Isn't it fair to say that without attempting to defend this gentleman or criticize him, or to defend the Secretary or criticize him, that that decision was not made by the witness but was made and was to have been made at that time by the Secretary himself, and all this witness' Division could have done would have been to have supplied the figures as to what the dollars-and-cents support would be at a certain level?

Isn't that correct?

Mr. ANDRESEN. Mr. Emery, here, represents the agency where they do the calculating and where they administer this law at least with reference to dairy products.

Mr. EMERY. Of course, recommendations are made all along the line, and consultations, but I would not like to leave the impression that our Livestock and Dairy Division was advocating the lowering of supports and that the Secretary did something else. I would like to have the matter left that the Department made the decision to continue the present support level.

Mr. ANDRESEN. I recollect that decision but the information leaked out. How it leaked out—it was in advance that on April 1, the price support on manufactured milk would be 20 cents or approximately 5 percent less than it had been per hundredweight.

Mr. EMERY. It would have been had the new support program been based on 75 percent of the modernized parity equivalent.

Mr. ANDRESEN. I do not see much object in changing the formula if you maintain the same dollars-and-cents price. There is no authority in the law authorizing you to change the formula for calculating the price of manufactured milk. Can you cite that provision of the law?

Mr. EMERY. No, sir; as I understand, our Solicitor's office has interpreted, or did at that time, early in 1949, that it was within the province, the discretion, of the Secretary, to determine parity equivalent prices if necessary to make the support program more effective.

Mr. ANDRESEN. Well, then, under that theory do you contemplate establishing a new figure for the 1956–57 marketing year?

Mr. EMERY. That is the present announced plan, that we will add the data for each year until we have 10 years and then will use

a 10-year moving average, so that the figure may change slightly each year.

Mr. ANDRESEN. Can you speculate any and tell me how much lower or higher the formula will bring the support price for next year?

Mr. EMERY. No, that depends upon the prices actually received by the farmers this year for manufacturing milk in relation to all milk.

Mr. ANDRESEN. The way things are going, it looks to me it will be lower. What do you think?

Mr. EMERY. I think it is likely that the percentage this year will be lower than the percentage back in the early years so that, if I had to guess, I would guess it might be slightly lower next year.

Mr. ANDRESEN. The only way we can protect the dairy farmers to have the same price is to have a law enacted changing the flexibility of the diary support program?

Mr. EMERY. I might remind you that there is still discretion between the present support level and 90 percent.

Mr. ANDRESEN. Of course he can go between 75 and 90. You state in your prepared statement here they are getting 80 cents a hundred now for manufacturing milk.

Mr. EMERY. Eighty percent.

Mr. ANDRESEN. Yes, 80 percent of parity. That is due to the fact that the Secretary did not change the dollars-and-cents price, in spite of the fact that the formula for calculating the parity price has changed.

Mr. ABERNETHY. I think there is a 10-year average moving formula or something similar with reference to all agricultural commodities, which is used in calculating each of them and you are required by law to use that 10-year average.

Mr. EMERY. That relates to parity rather than parity equivalent.

Mr. ABERNETHY. All right. You may proceed with your statement.

Mr. EMERY. I believe we were over to the utilization, and you may wish to refer to table 2.

(Table 2 is as follows:)

TABLE 2.—*Utilization of price-support stocks of dairy products in the marketing years ending Mar. 31, 1954, and 1955*

[Millions of pounds]

	Butter		Cheddar cheese		Nonfat dry milk	
	1953–54	1954–55	1953–54	1954–55	1953–54	1954–55
Commercial domestic sales	3.7	[1] 19.9	8.5	[1] 119.0	0.1	4.4
Animal and mixed feed sales					2.2	581.4
Commercial export sales		2.1		.6		5.0
Sec. 32 outlets [2]	68.8	17.5	24.3	12.9	9.5	1.2
Sec. 416 donations:						
Domestic [2]		91.9		72.5		71.0
Foreign	45.8	134.3	22.1	86.1	90.8	258.6
Noncommercial export sales		18.9			131.2	99.2
FOA transfers		9.1	.5	4.1		11.6
U. S. Army transfers	20.2	39.1		2.0	5.5	.1
Other [3]	.6	4.0			.1	
Total	139.1	336.8	55.4	297.2	239.4	1,032.5
Estimated uncommitted supplies as of Mar. 31	364.2	236.6	472.3	328.6	595.7	86.3

[1] Includes 5 million pounds of butter and 83.5 million pounds of cheese purchased in March 1954 and immediately contracted for sale back to the sellers in April 1954.

[2] Domestic school lunch and welfare uses.

[3] "Other" includes butter sold for salvage, for extending cocoa butter, for liquid milk recombining, transferred to the Veterans' Administration, and donation of nonfat dry milk for research use.

Mr. EMERY. Table 2 summarizes the utilization of price-support stocks of dairy products during the last 2 years.

COMMERCIAL SALES

CCC stocks have been offered for sale back to the domestic market at prices a little above the current purchase prices, but only moderate quantities have moved back to the markets.

Referring to table 2, top line, if we take out of those commercial sales, the quantities bought in March a year ago, and immediately contracted for sale back in April, it will be noted that during the past year we sold back to the trade about 14 million pounds of butter.

Mr. ANDRESEN. When was that about; what month was that?

Mr. EMERY. That was mostly during the winter months.

Mr. ANDRESEN. December?

Mr. EMERY. As I recall, mostly from October through December.

Mr. ANDRESEN. Is that the only amount of butter that has moved back in channels of commercial trade in the past year?

Mr. EMERY. We have one additional small program under which some butter has moved back into the domestic market outlets. That is included in the last item "Other outlets." About 2 million pounds have been sold for use as an extender of cocoa butter in the manufacture of chocolate products. Those are the only sales back into the domestic market.

Mr. ANDRESEN. What is your estimate, then, on the increase in domestic consumption of butter as the result of the selling back into the trade of this Government-owned butter? I have seen various figures from 2 to 5 percent of increase in the consumption.

Mr. EMERY. Of course, these sales of 15 million pounds are a very small percentage of the total but there has been apparently a substantial increase in consumption of butter from regular commercial production.

Mr. ANDRESEN. I recollect that but not let ask you this: Has the use of milk in the school-lunch program, the additional milk, which was provided for in this committee, has that materially decreased the amount of milk that goes into manufactured butter?

Mr. EMERY. I would think it certainly has been a factor. As to how much, I tried to check on that this morning just before coming up here and I was unable to get a specific figure as to how much the increase in the consumption has been under that program.

Certainly, it should have been a contributing factor.

Mr. ANDRESEN. It has helped reduce, has it not, the expense of the stabilization program for dairy products?

Mr. EMERY. Yes.

Mr. ANDRESEN. I wish you could furnish to the committee, if you do not have it now, as close as you can estimate it, the increase in the consumption of dairy products as a result of programs authorized by law and administered by the Department during the past year.

Mr. EMERY. Very well.

(The information is as follows:)

INCREASE IN CONSUMPTION OF DAIRY PRODUCTS

It is estimated that during the marketing year ended March 31, 1955, the civilian population in the United States consumed about 136 million pounds or nearly 12 percent more creamery butter than a year earlier, and 110 million pounds or 14 percent more American cheese, 104 million pounds or 16 percent more nonfat dry milk, and 2.5 billion pounds or 4 percent more fluid milk and cream, than a year earlier. These increases in consumption were encouraged by lower prices to consumers, by distribution of more dairy products for school lunch and welfare uses and by the special school milk program. The quantities of dairy products distributed for school lunch and welfare uses in the 1954–55 marketing year were greater than in the preceding year by about 37 million pounds of butter, 58 million pounds of cheese, and 48 million pounds of nonfat dry milk.

It is estimated that from September 1954, when the special school milk program was announced, through February 1955, about 232 million additional half pints of milk were consumed under this special program. This quantity is equivalent to more than one-tenth of a billion pounds of milk in the period during which the program was being developed on a nationwide basis. It is estimated that for the current school year the quantity will approximate 400 million half pints or two-tenths of a billion pounds of milk.

There also has been an increase in the consumption of milk and dairy products by military personnel and Veterans' Administration hospital patients. As indicated in table 2 Commodity Credit Corporation transferred to the United States Army for use by the military agencies (in addition to their normal purchases in the markets) about 19 million pounds more butter and 2 million pounds more cheese in 1954–55 than a year earlier. Transfers to Veterans' Administration totaled 1.5 million pounds of butter in 1954–55 compared to a very small quantity in the preceding year.

From early November 1954 through March 1955 the military agencies and Veterans' Administration hospitals increased their consumption of fluid milk by about 53 million pounds as a result of the program in which CCC is paying part of the cost of such additional milk. It is estimated that they used 13 million pounds of additional milk in March 1955.

Mr. ANDRESEN. I would like to have that broken down as to milk, cheese, and dried-milk powder, so that we can get some nearly accurate estimate on it.

Mr. EMERY. Very well.

Mr. ABERNETHY. You may proceed.

Mr. EMERY. Commercial feed sales: About 573 million pounds of nonfat dry milk was sold at reduced prices for use in animal and poultry-mixed feeds during the summer of 1954. These sales, which were possible because of a temporary shortage and high price of soybean meal, greatly reduced the CCC inventory of nonfat dry-milk solids in excess of the quantities that could be used in human-food outlets.

Mr. ANDRESEN. You are an expert on dairying and it was my opinion that to produce more milk, it was necessary to feed more protein feed to the dairy cows. Are you of the same opinion, to get more production you need more protein?

Mr. EMERY. I believe that the technical people in the Department who work primarily on that phase of it have raised some questions as to whether or not the feeding of protein has been overemphasized and as to whether some farmers may not be feeding more protein than they need to get the best results from the feeding program.

Mr. ANDRESEN. I have stated this before, but when I am at home I get up early in the morning and I listen to the radio, and I hear the manufacturers of high protein feeds, tell the farmers that "If you will feed a certain type of X protein feed, you will increase your milk production by 20 or 30 percent."

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And also "Your egg production."

To tell you quite frankly, I was not very strong for selling that milk powder back to the trade again to feed to dairy cattle and poultry to produce more milk and more eggs. Have you not thought about that proposition?

Mr. EMERY. There are undoubtedly many farmers who are not feeding enough protein and a certain amount of protein is desirable in the feeds. The sale of this nonfat dry milk a year ago was made for two reasons. The main reason was that at that time we had an inventory of 599 million pounds of nonfat dry milk that we did not know what to do with.

Mr. ABERNETHY. You offered it at a very cheap price.

Mr. EMERY. We offered it for sale at a price about in line with the prices of soybean meal and cottonseed meal as a protein constituent of these animal and poultry mixed feeds, at a price much lower than the usual prices that they were paying for these milk solids for certain feeds where they were willing to pay for, not just protein alone, but for the additional growth factors that they contain.

The sales also relieved a rather serious shortage of soybean meal which was extremely high in price to these livestock producers.

Mr. ANDRESEN. The argument was used to me, at least, that the high prices of soybean meal brought this about and the farmers had to have some high protein feed and they figured they could sell to them at 3½ cents a milk powder that would take the place of soybean meal.

Mr. EMERY. May I note that we still have here at the beginning of a new year when we are coming into the flush production, 86 million pounds of nonfat dry milk and I rather shudder to think what a situation we would be in if we still had 659 million pounds of that product on hand.

Mr. ANDRESEN, That was the place where we were going to find a foreign market for all of that stuff.

Mrs. KNUTSON. I think that we are talking about the bonanza that the feed mixers got last year at the cost to the taxpayers and with no reduction in price to the farmers. At 3½ cents per pound, the Government lost $10 million.

What I object to is the fact that most of it was good human food that could be sold overseas and the organizations who sent it had to pay 11 cents per pound for it. How come our farmers did not get a reduction in the feed prices when the Government was willing to give it to them for 3½ cents a pound? We lost $10 million right there, and farmers paid the same high price for feed.

Mr. EMERY. First, the feed manufacturers were permitted, the feed mixers, to use only 7½ percent, not more than 7½ percent of this dry milk in the feed, so that it was a small item in the total cost of the feed.

Second, the data indicate that during the summer months, there were some decreases in the feed prices of the type of feed into which this went. As a matter of fact, the declines were more than you could possibly attribute to the difference between soybean-meal prices in early 1955 and our selling prices for the nonfat dry milk. It is true that we have offered nonfat dry-milk solids for commercial export at about world prices. It is also true that we have offered to donate to all of the United States charitable organizations, all of the nonfat dry milk that they can distribute to needy people abroad,

and we are even paying packaging costs, to put it in a form in which they can use it. We are paying transportation to the port of export.

Mrs. KNUTSON. The Government did that for the feed mixers, too.

Mr. EMERY. Beg pardon?

Mrs. KNUTSON. The Government did that for the feed mixers, too, when they got this bonanza on the lower price.

Mr. EMERY. That is correct. We delivered.

Mrs. KNUTSON. You delivered that, too?

Mr. EMERY. Yes. The point that I wanted to make is, that we think we have done just about everything we can to utilize this nonfat dry milk, and during the marketing year, we did get rid of over 400 million pounds in human food outlets. We only wish that we could have gotten rid of all of it for human-food outlets. Very reluctantly we sold it for animal feed.

Mrs. KNUTSON. We should be then breaking down a few more barriers and let some of the milk powder and product go into institutions so you do not have to have this trouble of too many stocks on hand. I hope we can do something about that this year. We would not then have any milk surplus or powder surplus, either.

Mr. LAIRD. Isn't it true that you are offering as much milk to all of these welfare agencies, relief agencies, and you will deliver to them as much as they request? At the present time if they come in with a request, you will give them this and pay the transportation to any relief or welfare agency in the United States for foreign use?

Mr. EMERY. Both domestic and foreign use and we will pay the packaging cost and the transportation within the United States, and as far as exports are concerned, I understand that Foreign Operations Administration is paying some of the ocean-transportation costs.

Mr. LAIRD. You only went into this other program after making these offers?

Mr. EMERY. Yes, sir. We had been offering these agencies all they could use before the feed-sales program. The main difference since then has been the additional legislative authority that was provided last year for CCC to absorb packaging and certain transportation costs.

Mrs. KNUTSON. Would it make good sense to you if we did change the technical provision on this and let this, particularly good food, go into some of our State institutions, too? It seems like the technicality of a name is holding it up.

Mr. EMERY. I am in favor of any outlet that can be developed.

Mr. LAIRD. How is it held up?

Mr. EMERY. That is outside of our Division, but as I understand, we rely upon the State agencies to determine the eligible agencies and people within their States as to who can receive these products. I am not prepared to advise you as to what technical barriers there may be.

Mr. ABERNETHY. You may proceed, sir.

COMMERCIAL EXPORT SALES

Mr. EMERY. Dairy products have been offered for sale for commercial export at announced prices in line with world market prices. Also, CCC has offered 10 million pounds of butter for sale in recent months on competitive bids for commercial export. Commercial export sales have taken only small quantities of dairy products.

SCHOOL LUNCH AND WELFARE USES

School-lunch and welfare uses continue to be the principal outlet for CCC stocks of dairy products under the price-support program. The additional legislative suthority provided in 1954, including the authority for CCC to bear the costs of reprocessing, packaging, and at least part of the transportation made it possible to step up the uses of these products in such outlets. Substantial quantities of cheese have been processed, nonfat dry milk has been repackaged, and butter has been printed, canned, or converted into butter oil for these purposes. The largest quantities of dairy products going into these uses have been donated under section 416 of the Agricultural Act of 1949, as amended. Substantial quantities of butter oil and nonfat dry milk also have been sold at reduced prices to international agencies or foreign governments for restricted welfare uses.

TRANSFERS TO UNITED STATES ARMY AND VETERANS' ADMINISTRATION

Dairy products, mainly butter, have continued to be transferred to the military agencies and the Veterans' Administration for their use in addition to their normal market purchases. Since the passage of the Agricultural Act of 1954 these products have been donated to such agencies.

CCC INVENTORIES AS OF MARCH 31, 1955

As the result of the decreased purchases and stepped-up utilization, CCC inventories of butter, cheese, and nonfat dry milk have been substantially reduced during the last year. The CCC inventories on March 31, 1955, were still equivalent to about 8 percent of a year's milk supply. The disposition of such stocks together with supplies purchased in the current marketing year will continue to represent a problem.

DAIRY PRODUCTS LOAN PROGRAM

CCC offered to make loans on whey products and dry buttermilk under a temporary program in 1954 to offset any possible effect on the commercial feed markets for those products of CCC sales of nonfat dry milk for animal and poultry mixed feeds. CCC made loans totaling $3,430,000 on whey products containing 66 million pounds of milk solids. CCC has acquired substantially all of such products by maturity of loans. The products have been offered for sale in the domestic market at prices above last year's loan rates and for commercial export on competitive bids. CCC has sold nearly 18 million pounds of dry whey for export, leaving an inventory of about 39 million pounds of dry whey and dry whey product and 4 million pounds of condensed whey.

INCREASING MILK CONSUMPTION BY MILITARY AGENCIES AND VETERANS' HOSPITAL PATIENTS

A program under which CCC is paying part of the cost of increased purchases of milk by military agencies went into operation during November or December. By January their consumption of milk as a result of the program had increased about 12 million pounds a month.

A similar agreement with Veterans' Administration became effective in early 1955.

(Tables 1, 3, 4, and 5 are as follows:)

TABLE 1.—*Monthly purchases of dairy products in the marketing years ending Mar. 31, 1954, and 1955, to support prices of milk and butterfat*

[Millions of pounds]

	Butter		Cheddar cheese		Nonfat dry milk	
	1953–54	1954–55	1953–54	1954–55	1953–54	1954–55
April	25.2	14.8	27.1	9.8	46.2	41.6
May	42.3	44.1	35.1	21.8	74.3	75.6
June	66.8	65.6	40.8	33.4	84.4	97.6
July	50.2	35.2	42.5	22.8	67.4	63.9
August	27.1	13.1	30.3	16.8	47.3	45.4
September	4.9	3.1	24.1	12.7	34.8	51.4
October	.9	.1	7.3	4.0	20.4	14.0
November	3.2	.4	4.5	1.6	17.1	10.5
December	11.0		6.9	1.3	36.6	13.2
January	28.4	7.5	22.6	7.6	52.8	26.7
February	34.0	9.5	33.2	11.3	55.3	46.2
March	[1] 86.2	17.3	[1] 178.0	10.2	129.2	37.1
Total	[1] 380.2	210.7	[1] 432.4	153.3	665.8	523.2

[1] Includes 5 million pounds of butter and 83.5 million pounds of cheese purchased in March 1954 and immediately contracted to sell back to the sellers in April 1954.

TABLE 3.—*Volume and cost of dairy products acquired under milk and butterfat price-support programs, Jan. 1, 1949, to Mar. 31, 1955*

Period	Quantity purchased [1]	Total product cost	Carrying charges [2]	Total cost
	Butter			
	Thousand pounds	*Thousand dollars*	*Thousand dollars*	*Thousand dollars*
Jan. 1 to Dec. 31, 1949	113,980	69,569	2,374	71,943
Jan. 1, 1950 to Mar. 31, 1951	127,879	75,850	2,257	78,107
Apr. 1, 1951 to Mar. 31, 1952	221	142	2	144
Apr. 1, 1952 to Mar. 31, 1953	143,123	96,180	2,826	99,006
Apr. 1, 1953 to Mar. 31, 1954	[3] 382,483	248,519	13,863	262,382
Apr. 1, 1954 to Mar. 31, 1955 [4]	210,709	119,500	4,800	124,300
Total [4]	978,395	609,760	26,122	635,882
	Cheese			
Jan. 1, to Dec. 31, 1949	25,555	8,403	464	8,867
Jan. 1, 1950 to Mar. 31, 1951	108,953	35,131	2,283	37,414
Apr. 1, 1951 to Mar. 31, 1952	829	307	14	321
Apr. 1, 1952 to Mar. 31, 1953	74,967	29,828	2,624	32,452
Apr. 1, 1953 to Mar. 31, 1954	[3] 454,561	173,637	11,869	185,506
Apr. 1, 1954 to Mar. 31, 1955 [4]	153,341	52,100	2,800	54,900
Total [4]	818,206	299,406	20,054	319,460
	Nonfat dry-milk solids			
Jan 1 to Dec. 31, 1949	324,273	38,824	4,589	43,413
Jan. 1, 1950 to Mar. 31, 1951	352,526	42,177	4,368	46,545
Apr. 1, 1951 to Mar. 31, 1952	52,405	7,855	848	8,703
Apr. 1, 1952 to Mar. 31, 1953	206,226	34,813	2,925	37,738
Apr. 1, 1953 to Mar. 31, 1954	673,170	105,588	10,291	115,879
Apr. 1, 1954 to Mar. 31, 1955 [4]	523,207	80,940	4,900	85,840
Total [4]	2,131,807	310,197	27,921	338,118
	All dairy products			
Jan. 1 to Dec. 31, 1949		116,796	7,427	124,223
Jan. 1, 1950 to Mar. 31, 1951		153,158	8,908	162,066
Apr. 1, 1951 to Mar. 31, 1952		8,304	864	9,168
Apr. 1, 1952 to Mar. 31, 1953		160,821	8,375	169,196
Apr. 1, 1953 to Mar. 31, 1954		527,744	36,023	563,767
Apr. 1, 1954 to Mar. 31, 1955 [4]		252,540	12,500	265,040
Total [4]		1,219,363	74,097	1,293,460

[1] Quantities acquired under each support program but not necessarily delivered within the time periods shown. As permitted by the purchase contracts, these delivered quantities differ slightly from the contracted quantities shown in table 1.

[2] Carrying charges include storage, transportation, and other handling expenses.

[3] Includes 5 million pounds of butter and 83 million pounds of cheese purchased in March 1954 and immediately contracted for sale back to the sellers in April.

[4] Partially estimated.

Data available currently in Report of the President of the Commodity Credit Corporation and Report of Financial Condition and Operations, Commodity Stabilization Service, issued monthly.

TABLE 4.—*Estimated CCC losses from sales and donations of dairy products acquired under the milk and butterfat price-support programs, fiscal years 1949 to date*

	Cost	Sales proceeds	Estimated loss (or gain)
Fiscal year ending June 30—	*Millions*	*Millions*	*Millions*
1949	90.9	$1.0	[1] ($0.1)
1950	50.2	30.3	19.9
1951	231.9	121.1	110.8
1952	9.6	8.5	1.1
1953	27.8	22.6	5.2
1954	257.7	127.0	130.7
1955 (July–Feb.) [2]	206.4	47.2	159.2
Total	784.5	357.7	426.8

[1] Gain.
[2] Preliminary.

Source: Compiled from Report of the President of Commodity Credit Corporation and Report of Financial Condition and Operations, issued monthly by Commodity Stabilization Service.

TABLE 5.—*Support levels and prices of manufacturing milk and butterfat under the milk and butterfat price-support program, 1949 to date*

Marketing year beginning Apr. 1 (except as noted)	Manufacturing milk				Butterfat			
	Support level		Actual price		Support level		Actual price	
	Percentage of parity equivalent [1]	Dollars per 100 pounds	Percentage of parity equivalent [1]	Dollars per 100 pounds	Percentage of parity [1]	Cents per pound	Percentage of parity [1]	Cents per pound
1949 [2]	90	3.14	90	3.14	90	58.5	96	62.1
1950–51 [3]	79	3.07	87	[4] 3.35	86	60.0	92	64.0
1951–52	87	3.60	96	3.97	90	67.6	99	74.1
1952–53	90	3.85	93	4.00	90	69.2	93	71.5
1953–54	90	3.74	83	3.46	90	67.3	88	65.2
1954–55	75	3.15	75	3.16	75	56.2	76	56.7
1955–56	80	3.15			76	56.2		

[1] Percentages of parity or parity equivalent as of the beginning of the marketing year.
[2] Calendar year.
[3] Jan. 1, 1950, to Mar. 31, 1951.
[4] January 1950 to March 1951 average, adjusted 3.95 percent butterfat to adjust for seasonal variation in butterfat content.

Mr. ABERNETHY. Out of what funds did the CCC pay part of the cost of these increased purchases? Fom their capital assets?

Mr. EMERY. This program is a part of our price-support program so that the same funds would be used, I assume.

Mr. ABERNETHY. You have finished your statement?

Mr. EMERY. Yes, sir.

Mr. ABERNETHY. Table 2, in the last column you show a total there—a figure of 1,032,500,000.

Mr. EMERY. Yes, sir; it is over 1 billion.

Mr. ABERNETHY. What does that represent?

Mr. EMERY. Pounds.

Mr. ABERNETHY. I thought that was dollars. I see now it is pounds.

What was the cost of those items to the Commodity Credit Corporation?

Mr. EMERY. Will you please turn to table 4? This table covers, not just nonfat dry milk, but all three products—butter, cheese, and nonfat dried milk, and down in that last line, 1955, the figures cover

the cost, sales proceeds, and estimated loss, on dairy products that we have sold or donated from last July 1, through February.

Mr. ABERNETHY. I see the table explains itself.

And it also answers the question that I had in mind. So I will not burden the record with that further.

Mr. ANDRESEN. Let me get this clear. Is that $357 million figure, does that represent the donations?

Mr. EMERY. That $357.7 million is the total amount of money that CCC has received on its sales of dairy products since early 1949. That may also be donations for which Commodity Credit has been reimbursed, too. I hope that is right.

Mr. LAIRD. Evidently prior to 1955 when the law was amended, there are some sales proceeds represented there in section 32 funds; isn't that right?

Mr. EMERY. Yes; those would be in here.

Mr. LAIRD. Reimbursements in fiscal 1954, which shows that section 32 funds were used. At the present time you are not using section 32 funds?

Mr. EMERY. That is correct.

Mr. LAIRD. So it would include the donations to the school-lunch program during the prior years before the law was amended?

Mr. EMERY. To that extent it would tend to understate the losses to the Government.

Mr. POLK. Mr. Emery, on page 3 of your statement, under the subject "Commercial Export Sales," you discuss briefly the exports. A few weeks ago I read in the press a statement that the Secretary of Agriculture was considering selling butter behind the Iron Curtain to certain countries in Europe. There was some indication in the press reports that this butter would eventually find its way into Russia through some trade agreements. I wonder whether you would care to discuss that particular problem.

Mr. EMERY. Well, insofar as I am aware, there are no plans at present for selling butter or other dairy products directly or indirectly to Iron Curtain countries.

Mr. POLK. Am I correct or am I incorrect in my assumption there was some discussion about trading this butter for manganese and other strategic materials? The reports that I remember reading, they may have been incorrect—I am just trying to get some information. As I remember according to the press, this butter was to be traded for certain strategic materials. I think manganese was mentioned as one of them. I was wondering if you knew anything about that.

Mr. EMERY. I am sorry, I do not have information that would be helpful on that.

Mr. POLK. That is all.

Mr. ANDRESEN. May I ask a question on these foreign sales? Some of the commodities, like tobacco, and fruit products from the West, raisins and citrus fruits, the Department has specialty men over in different countries in Europe, that travel in Europe or the rest of the world, trying to find places for those commodities. Do you have anyone in the Department of Agriculture or have we had one at any time that seeks to find a place in foreign markets or establish new markets for dairy products?

Mr. EMERY. As I recall, we have had several missions, mainly, people from the industry, who have toured various countries to look

into the situation. Also we have now in the Foreign Agricultural Service an expanded organization, and people from that organization, as I understand, are making trips to those countries to explore the possibility.

Mr. ANDRESEN. Those are the agricultural attachés.

Mr. EMERY. Yes; and people from the Foreign Agricultural Service in Washington.

Mr. ANDRESEN. How many are there that specialize on disposing of dairy products throughout the world?

Mr. EMERY. I do not know.

Mr. ANDRESEN. Do you know if there are one or two?

Mr. EMERY. No, sir. I am afraid that gets into a matter of the organization of the Foreign Agricultural Service.

I do know that they are grouped by commodities but just how many people they would indicate that were devoting most of their time to dairy products, I do not know.

Mr. ANDRESEN. You are, of course, interested in disposing of these surpluses under your direction. Will you find out for the record if there is anybody engaged in disposing of or trying to create markets in the world for dairy products?

Mr. EMERY. Yes, sir.

Mr. ANDRESEN. And give us their names and how long they have been on the job.

Mr. EMERY. Yes, sir.

(The information referred to is as follows:)

DEVELOPMENT OF FOREIGN MARKETS FOR DAIRY PRODUCTS

The following are the individuals who are working directly on a development of foreign markets for dairy products:

	Time in position
H. N. Cobb, Director, Livestock and Livestock Products Division, FAS.	9 months.
C. J. Babcock, Chief, Foreign Marketing Branch, Livestock and Livestock Products Division, FAS.	1 year.
D. R. Strobel, Marketing Specialist, Foreign Marketing Branch, Livestock and Livestock Products Division, FAS.	11 months.
L. H. Burgwald, consultant, Foreign Marketing Branch, Livestock and Livestock Products Division FAS.	4 months.

In addition to the above individuals, it is a responsibility of the agricultural attachés stationed in foreign countries to do everything possible to develop additional markets for all United States agricultural products, including dairy products.

Mr. JOHNSON. On page 1, bottom of the first paragraph, you say:

They represent as of the beginning of the marketing year, 76 percent of the parity for butterfat and 80 percent of the modernized parity equivalent price of manufacturing milk.

What would those figures be under the old parity?

Mr. EMERY. Based on a parity equivalent ratio of 88½ percent, 80 percent of the parity equivalent would be $3.34.

Mr. JOHNSON. What percnet would that be?

Mr. EMERY. Well, that would be 80 percent.

Mr. JOHNSON. I mean if you were stating it in the old parity instead of saying 80 percent, what would you have said?

Mr. EMERY. Let me give you this figure, 75 percent of that old figure would be $3.13.

Mr. JOHNSON. I want it in percentages. Could you give it to me approximately what percentages the 76 and the 80 percent would be under the old parity?

Mr. EMERY. The 76 would be the same.

Mr. JOHNSON. 76 percent you say?

Mr. EMERY. Would be the same. No change.

Mr. JOHNSON. In other words, if we strike out the word "Modernized" then you would have to substitute 76 for 80?

Mr. EMERY. The $3.15 would represent about 76 percent of the parity equivalent price computed by using the unrevised ratio of 88.5 percent of the parity price of all milk wholesale.

Mr. JOHNSON. What would the 76 represent then under the old parity?

Mr. EMERY. The same.

Mr. JOHNSON. It would be lower, would it not, around 71?

Mr. EMERY. Are you talking about this new modification?

Mr. JOHNSON. Yes.

Mr. EMERY. There was no change in regard to butterfat.

Mr. JOHNSON. Seventy-six percent of parity for butterfat under the modernized parity would not be the same as 76 percent under the old parity?

Mr. EMERY. I am afraid we are confusing this. I should apologize for using the word "modernized" in this statement. We are confusing "modernized parity equivalent" with the "modernized parity" in the agricultural acts.

The parity price of butterfat now is the modernized parity price in accordance with the Agricultural Act of 1938, as amended. We did not change that. Also, we compute the parity equivalent on the basis of the modernized parity price of all milk, as defined in the legislation.

Mr. JOHNSON. When you quote your 76-percent parity in this paragraph, that refers to modernized parity, does it not?

Mr. EMERY. Modernized parity for butterfat?

Mr. JOHNSON. What I wanted to know was what figure you would have quoted under the old parity.

Mr. LAIRD. The figure changed with the parity equivalent?

Mr. EMERY. Seventy-six percent of parity as computed some years ago.

Mr. JOHNSON. That is what I want, what it was some years ago.

Mr. EMERY. I believe it would be somewhat lower. I do not know just how much.

Mr. JOHNSON. Will you tell us about how many percents lower?

Mr. EMERY. I would not hazard a guess.

Mr. ABERNETHY. I think I understand what he is trying to get at, don't you?

Mr. EMERY. I think I do.

Mr. ABERNETHY. Would you have that calculated and supply it?

Mr. EMERY. Yes, sir.

Mr. JOHNSON. They represent, as of the beginning of the marketing year, under the old parity that would be about 72 percent of parity for butterfat and 76 percent of parity for milk, would it not?

Mr. EMERY. No. We are still confusing the two concepts. The modernized parity in the case of butterfat is that provided for in the law. The modernized parity equivalent for manufacturing milk is

something else. That only refers to this change from the 88½ percent to the 83.7 percent ratio between manufacturing milk and all milk.

Mr. JOHNSON. There then you mean in this paragraph when you use the word "modernized" you mean to use it as to the 76 percent?

Mr. WATTS. May I ask a question there?

Mr. ABERNETHY. Don't get us any more confused than we are now.

Mr. WATTS. This 76 percent of parity, that is the modernized parity prescribed in the bill?

Mr. EMERY. Yes. It involves your 10-year average.

Mr. WATTS. That represents 56.2 cents a pound for butter?

Mr. EMERY. For butterfat.

Mr. WATTS. If you were still getting 56.2 cents a pound for butter, and you had not passed the bill that was passed in 1954, changing from old parity to modernized parity, what percent of parity would 56.2 cents a pound be of the old parity?

Mr. JOHNSON. That is the answer I am after.

Mr. EMERY. May I ask a question there? You said the act of 1954. You mean way back?

Mr. WATTS. Yes.

Mr. EMERY. I think that if that is what you want, I can compute that and supply it.

(The information referred to is as follows:)

The Agricultural Act of 1938 was amended by the Agricultural Acts of 1948 and 1949 to provide a new formula for calculating what commonly has been called modernized parity prices, effective under specified conditions and at specified times for different commodities. The modernized parity calculations involve adjusted base prices and include wages paid hired farm labor in the parity index. Since January 1, 1950 the parity price of "butterfat" in farm-separated cream and the parity price of "all milk, wholesale" (all milk sold by farmers to manufacturing plants and fluid milk dealers) have been calculated by the modernized formula.

The modernized parity price of butterfat for March 1955 is 74.1 cents per pound and the present support price of 56.2 cents is 75.8 percent of parity. If calculated by the method used before 1950, the parity price of butterfat for March 1955 would be 75 cents per pound and a support price of 56.2 cents per pound would be 74.9 percent of such parity.

The modernized parity price of all milk, wholesale, for March 1955 is $4.71 per hundred pounds. The parity equivalent price of manufacturing milk is 83.7 percent (revised ratio) of $4.71 or $3.94. The support price of $3.15 for manufacturing milk is 79.9 percent of the parity equivalent price.

If calculated by the method used before 1950, the parity price of all milk wholesale for March 1955 would be $4.56 per hundred pounds or 15 cents per hundred pounds lower than the modernized parity price. Using the revised ratio (83.7 percent) for computing the parity equivalent price of manufacturing milk, such parity equivalent price would be $3.82 and the present support price of $3.15 would be 82.5 percent of the parity equivalent price. If calculated by both the old formula for the parity price of all milk and the old ratio (88.5 percent) for computing the parity equivalent price of manufacturing milk, such parity equivalent price would be $4.04 and the support price of $3.15 would be 78 percent of it.

Mr. LAIRD. I think where the confusion is, is that the percentage of parity does not really make much difference in this particular discussion. The difference comes about in the calculation of parity equivalent, because I think you will find under the old formula that you will not find more than 1 percent, maybe 1 percent variation there between the old and the new. That is where the difference is, and you can ask the question about the percentage of parity and that does not mean very much in the discussion, because that change from modernized, changing to modernized parity does not have any effect so far as milk is really concerned historically.

Mr. EMERY. I think it would only confuse the record to put in the figure on what the percentage of old parity for butterfat would be.

We will be glad to submit a statement trying to clarify the whole thing.

Mr. WATTS. I thought it would show whether or not there was a change in what the farmer was getting in changing from old to modernized parity. That was the only point.

Mr. ABERNETHY. If you will supply whatever they are getting at, maybe there will not be any more confusion.

Are there any further questions?

Mr. WILLIAMS. I would like to ask Mr. Emery this question. Isn't it true that extra effort has been made and is being made to dispose of these surplus CCC stocks? You have set up a program there under the direction of a man by the name of McConnell.

Mr. EMERY. Yes, sir.

Mr. WILLIAMS. Where he is devoting his entire time and effort to this project of disposing of these stocks. The reductions made there are because of special effort being made since the first of the year?

Mr. EMERY. Yes, sir. We think we have explored about every possible outlet, not only on sales back into domestic outlets, but sales in export outlets at world prices, and donations for school lunch and welfare uses, bearing costs of repackaging, processing, and transportation, special school milk program, donations to the military agencies and Veterans' Administration, and the special milk program we have with the military agencies and Veterans' Administration. We have also used little programs where we have sold small quantities of the products at reduced prices for restricted uses such as an extender for cocoa butter, and such as for export as butter oil for recombining with nonfat dry milk in foreign countries for sale as liquid milk. And we are continuously exploring any new ideas that anybody comes along with to try to use these supplies.

Mr. WILLIAMS. Greater effort is being made now than heretofore?

Mr. EMERY. Yes, sir.

Mr. WILLIAMS. That is all.

Mr. ABERNETHY. I would like to go back to the first question I propounded this morning, Mr. Emery. I want to read from the act of 1954, conference report, Agricultural Act of 1954, August 16, 1954, Report No. 2664.

Section 4H (1) of the Agricultural Act of 1954, as amended, is amended by adding thereto the following new subsection:

> E. Whenever any price support or surplus removal operation for any agricultural commodity is carried out through purchases from or loans or payments to processors, the Secretary shall, to the extent practicable, obtain from the processors such assurances as he deems adequate that the producer of the agricultural commodity involved has received or will receive maximum benefiits from the price support or surplus removal operation.

My recollection is that this section was put in there specifically in the interest of the dairyman. What assurances, if you know, has the Secretary received from the processor, to carry out the objective of that particular provision?

Mr. EMERY. That provision was very carefully considered. And the assurances that we have are the competition among the many thousands of plants and the evidence of the statistics collected by the Department that the prices to producers on a national average are equal to the support price.

Mr. ABERNETHY. Let me bring it closer home, where the competition probably is not as keen as it is in some sections of the country. I have a few processors down my way. They are few and far between and in one or two instances you might say they are competitors but actually in some sections there is no particular competition. I have had some complaints from some of my milk producers that the prices that they are receiving are far, far below the 75 percent of parity minimum. What can the Department do about that? It could contact these processors and make inquiry as to what prices they are paying. Is there any action that the Department could take under and by virtue of the authority of the subsection that I have just read?

Mr. EMERY. We could make inquiries into that situation. After you get the information, you would have to set up some kind of criteria as to whether that particular plant was paying less than it normally would pay.

Mr. ABERNETHY. I brought that to the attention of the Department sometime last year. I do not remember whether it was before or after this act became law. Here is what I received in reply:

> The price-support program does not guarantee any fixed or uniform price for every producer or locality. Prices paid by individual plants vary greatly, depending upon a number of factors such as quality and use of milk and dairy products, location in relation to market outlets, volume and efficiency of plant operation, and degree of competition.
>
> During March 1954, State average prices paid by plants making butter and dairy products ranged from 78 to 87 cents per pound of butterfat. Prices paid by individual plants would show a wider range.

No effort was made there to make inquiry. I do not know whether the act had been signed at that time or not. No, it had not.

Don't you understand this section of the act to mean that the Secretary should make periodic surveys of prices paid by these processors in various sections over the country to determine whether or not the maximum benefits from the price support or surplus removal operations are being made available to the producers?

Mr. EMERY. We have not interpreted that as a directive to make specific surveys of that kind.

Mr. ABERNETHY. How can you obtain from the processor, then, the assurances without making some sort of a survey?

Mr. EMERY. The Department does have a farflung organization in cooperation with the States of collecting data from manufacturing plants all over the Nation as to what they are paying. We do have the benefit of those prices both on a national and area basis.

Mr. ABERNETHY. Can you put into the record this morning the names of any processors from whom these assurances have been obtained?

Mr. EMERY. No, sir. There are none.

Mr. ABERNETHY. There are none?

Mr. EMERY. That is correct.

Mr. ABERNETHY. It is not my purpose to criticize, but is it a fair statement to say that this section of the act has not been administered by the Department, that it has been, shall I say, overlooked or ignored? I do not want to criticize, I am just here to find out.

Mr. EMERY. I do not feel that that would be a fair statement, sir. As I indicated, we do feel that for the Nation generally, the competition among some 5,000 plants does result in maintaining the general

level of prices to producers at levels that they normally would receive when the national average price is at $3.15.

Mr. ABERNETHY. The act does say that he shall obtain these assurances "to the extent practicable." "To the extent practicable" is a pretty good outlet. Is it fair to say that the Department has determined that it is not practicable to obtain the assurances, is that right?

Mr. EMERY. Yes, sir.

Mr. ABERNETHY. In other words, we might as well not have put it in the act.

Mr. EMERY. I think that is correct.

Mr. ABERNETHY. Let me put it this way then: Have you done anything differently from what you did prior to the time this became the law?

Mr. EMERY. No.

Mr. ABERNETHY. Haven't done anything. What did the Department conclude that the Congress had in mind? Did they conclude that we were just burdening the statute books with some more ink, and effort, or did they think that the Congress had in mind that this might contribute a little something to solving some of these problems?

Mr. EMERY. We considered that provision of the act very, very carefully. And again we discussed whether or not it would be feasible to require certification by those who sold dairy products to us, that they had paid some price for milk. We concluded again, as we had in the past, that it would not be practicable, that it would not be effective and that the principal, net result would be to make a lot of producers unhappy.

Mr. ABERNETHY. Didn't that leave the situation whereby the processors might be the recipients of a considerable windfall when they purchased the products at considerably less than the minimum parity price support and then after they unloaded them onto the CCC?

Mr. EMERY. We do not think they are in any different position in that respect under price-support programs than they are when there is no price-support program in effect.

Mr. ABERNETHY. The sum and substance of it is that the Department did not think very much of this section of the law?

Mr. EMERY. I think I could say that that is correct. [Laughter.]

Mr. ABERNETHY. All right.

Mr. ANDRESEN. Hasn't that been a fact for many years in the Department with reference to many of the laws that we have passed here?

Mr. EMERY. It is an extremely important point and I did not want to leave the wrong impression.

Mr. ABERNETHY. Does anyone else wish to ask questions? Do you have any questions, Mr. Heimburger?

Mr. HEIMBURGER. No, sir, I haven't any now.

Mr. ABERNETHY. We thank you very much, Mr. Emery. We might want you back at a later date. I believe you had finished your statement.

Mr. EMERY. Yes, sir.

Mr. ABERNETHY. We thank you very much and the committee will stand adjourned until tomorrow morning at 10 o'clock.

(At 12 noon, the committee recessed to reconvene at 10 a. m. Friday, April 22, 1955.)

STUDY OF THE DAIRY INDUSTRY

FRIDAY, APRIL 22, 1955

HOUSE OF REPRESENTATIVES,
COMMODITY SUBCOMMITTEE ON DAIRY PRODUCTS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D. C.

The Commodity Subcommittee met, pursuant to notice, at 10:15 a. m., in room 1310, New House Office Building, Hon. Thomas G. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy, Polk, Johnson, Knutson, Andresen, Williams, and Laird.

Also present: Representatives Watts, Bass, and Anfuso.

John J. Heimburger, counsel.

Mr. ABERNETHY. The committee will come to order.

We are met this morning for the purpose of hearing a statement from Mr. Kriesel, of the Agricultural Marketing Service. Mr. Kriesel, you may have a seat. Do you have anyone accompanying you that you would like to have seated at the table?

Mr. KRIESEL. I have a man available here.

Mr. ABERNETHY. Whatever your wishes are about it.

STATEMENT OF H. C. KRIESEL, AGRICULTURAL ECONOMICS DIVISION, AGRICULTURAL MARKETING SERVICE, ACCOMPANIED BY A. S. ROJKO, ANALYTICAL STATISTICIAN, DEPARTMENT OF AGRICULTURE

Mr. KRIESEL. I have a prepared statement, sir.

Mr. ABERNETHY. Before you begin reading your statement, will you please identify yourself for the record, your experience, the time you have been with the Department, and so forth.

Mr. KRIESEL. My name is Herbert C. Kriesel. I am employed in the Statistical and Historical Research Branch, Agricultural Economic Division, Agricultural Marketing Service, of the United States Department of Agriculture.

I have been employed there since April, 1939, with the exception of 2 years in the Navy and 1 year of educational leave. I grew up in western Wisconsin, on a dairy farm, and was educated at the University of Wisconsin, graduating from there in 1937.

Mr. ABERNETHY. I think that is sufficient identification. You may proceed.

Mr. KRIESEL. We have entitled this "Some Significant Trends in the United States Dairy Industry."

Over the years, most changes in the dairy industry have been much more gradual than for a number of other farm enterprises. Nevertheless, a number of developments have occurred which have far-reaching

consequences for farmers and others associated with the dairy industry. We have confined the discussion to those changes that appear to be the most significant. Similarly, we have tried to minimize the number of statistics included in the text. Many of the most important statistical aspects of the dairy industry are summarized in tables at the end of the statement. Of course, we shall be glad to discuss any of these developments in more detail, if you wish.

In the early part of this century milk production on farms in the United States tended to increase rather closely with the population. With changes in business conditions, fluctuations in both prices and incomes received by farmers usually varied less for dairy products than for most other farm products. Dairy products came to be looked upon as a relatively certain source of steady cash income. During generally adverse economic situations, such as in the early 1930's, the ready source of cash from the sale of milk products tended to induce a greater number of farmers into production and sale of milk. During World War II and in the early part of the postwar period, on the other hand, there was some shift away from production of milk as dairy farm labor became scarce and higher in cost, and alternative sources of income looked more promising. From 1942 through 1952 there was a rather steady reduction in per capita production of milk. However, in the most recent years, the annual rate of milk production has increased substantially.

Mr. ANDRESEN. I do not like to interrupt your statement, but you say there that production of dairy products has increased materially during recent years.

Mr. KRIESEL. Yes, sir.

Mr. ANDRESEN. That is despite the fact, is it not, that the milk cow population has decreased since the high point back 8 or 10 years ago, and the milk production per cow has increased?

Mr. KRIESEL. That is true, sir. We have had a substantial increase in rate of production per cow. In fact, we have had an increase every year except one since 1944. But we have increased the number of cows 3 percent per year in 2 successive recent years, 1952 and 1953. That was a short-term increase following several years of decline.

Mr. ANDRESEN. It went from 27 million head to around 22½ million head.

Mr. KRIESEL. That is right.

Mr. ANDRESEN. That has come up now to around a little more than 23 million head of milk cows?

Mr. KRIESEL. It increased a total of 6 percent in 1952 and 1953, and then dropped off 1 percent in 1954.

Mr. ANDRESEN. Have you stated here the reason for that increased production of milk, despite the lower number of milk cows?

Mr. KRIESEL. There are a number of reasons for the increased production per cow, some of which I will touch upon a little later. They include selection of better producing animals, wider use of artificial insemination, better management practices generally on dairy farms, and better roughages, which enable the maintenance of a high rate of production per cow.

Mr. ANDRESEN. More protein feed.

Mr. KRIESEL. Well, by better roughage more of the protein and other nutrients in roughages are preserved so that the protein content of roughage is increased. Secondly, the proportion of alfalfa in

cattle rations has increased as we have had an increase in acreage of alfalfa grown.

Mr. ANDRESEN. You were milking cows on the farm in western Wisconsin, when you were doing that you were feeding the feeds raised on the farm. You did not buy much feed?

Mr. KRIESEL. That is correct. We would buy as little as possible. We would buy some linseed meal to mix with the homegrown grains.

Mr. ANDRESEN. There is more of that buying cottonseed and linseed meals and soybean meal and other protein feeds.

Mr. KRIESEL. I am not really prepared to state categorically what the trend is on that. I think it is probably right, however, that we have had an increase in the relative amounts of protein-feed purchases.

Mr. JOHNSON. Isn't it a fact that your farmers are learning how to use a higher protein roughage, that they can raise on their farm and maybe doing away with buying as much protein feed as they were 10 years ago, by raising a better grade of hay like alfalfa, grass silage, hay dryers, and are now raising more products on their own farm of a higher protein quality?

Mr. KRIESEL. Many are doing just that. They are able to cut their protein content of rations down to as low as 12 and 13 percent using improved roughages.

Mr. ANDRESEN. We have been raising alfalfa in your section of the country and in Minnesota longer than the last 10 years. We have just as much now as we had then. Probably less now because of going into planting more corn and other grains, but I am not an economist so you will have to pardon me if I make misstatements, but that has been my observation in connection with dairy farming that a cow is like a factory, you feed her plenty and sufficient kind of feed—and plenty of it—you will get more milk. Am I wrong in my economics on that?

Mr. KRIESEL. Well, it would depend on what level one started from, sir. If one is already feeding a full ration then increasing the amount may not increase the milk production very much.

On the other hand, if the cow is receiving an average type of ration, then certainly improved roughages would increase the milk output.

Mr. ANDERSEN. It would tend to increase the production by feeding additional high-protein rations, and more of them.

Mr. KRIESEL. As compared with what the average cow in the country gets; yes. But some dairymen already are feeding adequate amounts of protein and there is not much one can do toward increasing production in that case.

Mr. ANDERSEN. Not in Wisconsin they do not do that, that is all.

Mr. KRIESEL. Production of milk on farms increased from 91 billion pounds in 1925 to 99 billion pounds in 1929. Output exceeded 100 billion pounds for the first time in 1930 and increased to 105 billion pounds by 1933. Some decline in output followed the drought years of the mid-1930's. With improved feed supplies and expanding demand, production then increased to 106 billion pounds in 1938 and to 119 billion by 1942. In the 1942–52 period, output fluctuated within a rather narrow limit, except for the record high—at that time—of 120 billion pounds in 1945 and the drop to 113 billion pounds in 1948 following the short feed supplies of 1947–48 crop years.

With stability in total output and a generally rising population milk production per capita showed a gradual downturn reaching 734

pounds in 1952 compared with a quantity in excess of 800 pounds in practically every year preceding 1948. The increase in milk output from 115 billion pounds in 1952 to 123.5 billion in 1954 meant that the per capita production was raised to about 760 pounds in 1954.

Mr. ANDRESEN. Is that figure, that you give for 1954, calculated on the basis of the new method of calculation in figuring the amount of milk in the country or is that under the formula or system that you have used over a long period of time?

Mr. KRIESEL. The method used for 1954 is the same as used in the preceding years, 1921 to date, in fact. They are comparable through time.

Mr. HEIMBURGER. I want to ask Mr. Kriesel from the time milk production came up to 118 billion pounds in 1942, up to 1953, when it was 121 billion pounds, where you would say it was virtually static so far as production level was concerned and yet during that time we seem to have arrived at increasing difficulty in disposing of the quantity of milk which was being produced. Do you go into that later in your statement?

Mr. KRIESEL. Yes, sir.

Mr. ABERNETHY. All right. Proceed.

Mr. KRIESEL. The number of milk cows on farms has fluctuated within rather narrow limits over the past 3 decades. The low point was 21.2 million head in 1927 and 1928 and the high point was 25.6 million head in 1944.

The minor fluctuations which have occurred have been in part related to the so-called cycle in numbers of beef cattle. The number of milk cows on farms in this year, 1955, is less than 5 percent greater than it was 30 years ago, in 1925, but production per cow is up about 30 percent. This is a net increase per cow of about 1 percent per year. During the last 30 years there were only 2 periods of reduction in rate per cow. Since 1944, output per cow has risen each year except for a 1-pound drop from 1951 to 1952.

Changes in methods of keeping and handling cows have been made over the years but none of them has been as spectacular as, for example, the introduction of hybrid corn. In recent years, however, we seem to be observing the cumulative effects of several individual improvements concerning the keeping and handling of milk cows. These include better selection of stock, wider use of artificial insemination, production of better roughages, and improvements in housing dairy cattle. Many of these developments have made it possible to obtain a greater output of milk per cow. Moreover, a number of developments concerned with the organization and operation of dairy farms makes it possible to use labor more efficiently. It is to be noted, however, that many of the improvements introduced are of the nature that require a greater output of milk per farm in order to realize improvements in economic efficiency of milk production. This helps account for the fact that dairy farm units are becoming gradually larger on the average. The number of farms with milk cows, however, has been declining.

Over the last three decades there has been a substantial increase in the proportion of milk farmers sell as whole milk as contrasted with farm-separated cream. This has been the result of two factors.

The first one is the broader market for dairy products containing both the fat and solids-not-fat components of milk.

Second, is the increased outlet to plants for nonfat dry milk and the shift from separation of milk on farms to separation in factories.

In 1954 about 47 percent of the creamery butter produced in the United States was made from factory-separated cream as compared with less than 5 percent 20 to 30 years ago. In 1954, 84 percent of the milk and cream sold by farmers was in the form of whole milk compared with 59 percent in 1940 and 47 percent in 1925. In some States the shift has been even more striking.

Most farm products have been confronted with a changing structure of demand. Few, however, have been exposed to as large changes as has the dairy industry in the past 2 decades. The demand for milk fat has shown a sharp decline, while there appears to be a significant increase in consumption of the solids-not-fat component of milk.

The drop in demand for milk fat has shown up mainly by way of reduced demand for butter and for cream. This reduction has come about partly by a replacement of vegetable oils and fats for milk fat, but also of importance has been an attempt by consumers to limit their intake of the so-called visible fats for table use. Thus, for example, the combined consumption of butter and margarine in recent years has been somewhat below the level of 20 to 30 years ago. In part, this has been a manifestation of the change in the source of fats consumed by Americans. In general, the per capita intake of fats now is essentially the same as it was 2 decades ago. But with the reduction focusing on milk fat, there have been far-reaching effects on domestic dairy markets. For example, if present-day consumption of butter per person were at the average of 1935–39, the present population would require around 145 billion pounds of milk compared with 123.5 billion produced in 1954 and 116 billion actually consumed by civilians and personnel of the military in 1954. There probably will be a continuing tendency for the use of vegetable fats in other dairy products, such as in ice cream, to increase, since these ingredients sell for considerably lower prices.

The decrease in consumption per person of milk fat in the form of butter and cream in the last 2 or 3 decades has been only partially offset by increases in consumption of other products, such as ice cream and cheese. As a result, the per capita intake of milk, measured on a fat solids basis, has been in the neighborhood of 700 pounds in recent years compared with 800 pounds and more in most years prior to 1943.

In contrast to the downtrend in demand for milk fat over the last 2 or 3 decades, the trend in and prospects for demand for the solids-not-fat component of milk are brighter. American consumers have been increasing their purchases of a number of products that contain the solids-not-fat component of milk, including skim-milk drinks, nonfat dry-milk solids, as well as products such as whole milk and ice cream which contains both components of milk. The substitution of vegetable fats for milk fat in the making of ice cream, would not tend to reduce the demand for the solids-not-fat of milk as it would for milk fat.

In the last year or two, there has been a greater awareness of the possibilities for increasing consumption of milk and dairy products by offering them to consumers at the time and place that will more likely induce purchases.

Undoubtedly, a factor in increasing consumption of ice cream has been the practice of offering ice cream in grocery stores as well as in a number of other outlets. The sale of milk through vending machines placed wherever people may congregate or pass, such as factory buildings, and so forth, has grown rapidly in recent years. So far we have no data to show the effects of this practice but, assuming the locations are chosen wisely, there is every reason to believe that vending machines will help increase consumption of fluid milk. Offering consumers dairy products in a greater variety of packages and methods of processing also helps to increase consumption. This undoubtedly has been a factor experienced by the cheese industry.

The rise in consumer incomes since the late 1940's has had relatively little effect on consumption of milk and dairy products. Costs of distribution have increased with rises in costs for labor and the various materials used in processing and distributing milk and its products. The gross margins between farm prices and retail costs have widened on all dairy products since 1951. Within limits, consumers demand more services as their incomes rise. If given choices, however, many consumers may choose to spend more of an increase in income for product than for service. In many cities, milk is offered to consumers through stores—with less service—and at lower prices than is milk delivered to homes. Similarly, in a growing number of cities fluid milk is being offered consumers in larger containers—though also frequently with less service—at a lower price per quart. Developments of this nature will bear close watching to see the extent to which consumption may be increased.

Accompanying the change in structure in demand for and consumption of dairy products has come a pronounced change in pattern of milk use among the different major products. Use of milk in making creamery butter, for example, has dropped to less than 25 percent of milk production in recent years compared with between 30 and 35 percent prior to 1940. In contrast, nearly 50 percent of the milk produced now is used as fluid milk and cream compared with around 40 percent in years prior to 1940. Use of milk in cheese now accounts for 11 percent of milk output compared with about 9 percent in the early 1940's and as little as 5 percent in the early 1930's.

Ice cream in recent years has taken around 7 percent of the milk output per year compared with less than 5 percent prior to 1946 and less than 4 percent before 1941.

The greater use of milk in fluid outlets has been beneficial to farmers and to consumers alike. This shift, however, may mean that the effect on prices received by farmers of a change in milk production is greater than formerly. The reason for this is that the response of consumers to price changes appears to be substantially less for a fluid milk than for butter. Available studies indicate that for a change of 1 percent in the average retail price of whole milk, consumption may change only one-third to one-half of 1 percent in the opposite direction.

For butter, on the other hand, it appears that for each 1-percent change in price, consumption will change around three-fourths of 1 percent in the opposite direction. These relationships, technically referred to as coefficients of price elasticity, apply to a relatively short period of time. Also, it is assumed that conditions other than price are unchanged.

Presumably, a substantial drop in the price for fluid milk maintained over a relatively long period would lead to a relatively greater increase

than would be indicated by the above coefficient. The same might apply to other dairy products. However, the basic fact to note from these comparisons is that the change in price needed to obtain a given percentage increase in consumption must be relatively greater than that percentage change in consumption.

The American dairy industry always has been affected relatively little by foreign trade in dairy products. Between World War I and World War II there was a moderate net import balance of dairy products. Most of the imports consisted of foreign types of cheese, except for moderate imports of butter following the drought years of the thirties. During World War II there were substantial net export balances on dairy products, mainly because of various programs adopted as part of the war effort. Since the close of World War II, domestic prices of dairy products have been high relative to prices of dairy products from other countries. Undoubtedly, there would be large imports of dairy products at the present time if there were no limitations on quantities that could be imported and if there were no program to aid the export of dairy products from this country.

Mr. ABERNETHY. You state that the prices of dairy products since World War II have been high relative to prices of dairy products from the other countries. Do you have reference to the prices to the farmers? Or relative to the price at the door as delivered?

I realize that you have reference there to other things besides milk.

Mr. KRIESEL. The manufactured products provided the basis on which I was making the comparison; products, in other words, that may be shipped overseas.

Mr. ABERNETHY. You are speaking of cheese and so on?

Mr. KRIESEL. Cheese and butter mainly. Dry milk to some extent.

Mr. ABERNETHY. All right. You may proceed.

Mr. KRIESEL. In a general sense, prices for dairy products have displayed the same broad price swings as other farm products. However, in recent years the decline in demand for dairy products, combined on a fat solids basis and the increase in supplies, have resulted in a decline in dairy prices relative to some important alternative products.

Thus, the price for butterfat received by farmers has been below average in relationship to hogs and beef cattle. Prices received by dairy farmers for milk and butterfat in the last few years or so also been below average relative to prices for feed.

Mr. ABERNETHY. Do you have reference there to the cost of production, one against the other?

Mr. KRIESEL. In a very general way this might be used to indicate relative cost but concentrate feeds are a relatively small percentage of the total cost, so that we do not want to take it as a complete indication of production cost.

Mr. ABERNETHY. All right. You may proceed.

Mr. KRIESEL. Cash receipts from the sale of dairy products over the last 30 years have varied from $986 million in 1932 to $4.6 billion in 1952. In every year beginning with 1951, cash receipts have exceeded $4 billion. As is generally known, of course, the purchasing power of money received for farm products also has fluctuated widely over the years. It is interesting to note, however, that cash receipts from the sale of dairy products have accounted for less than 14 percent of the cash receipts received for all farm products in recent years, compared with as much as 20 percent in the early 1930's.

Mr. ANDRESEN. Do you have the percentages and the figures for the 1952, 1953, and 1954 production for comparison purposes?

Mr. KRIESEL. Yes, sir; I think in all 3 years it was about 13.9 percent.

Mr. ANDRESEN. You mention that in 1942 that is $986 million, to $4,600 million in 1952. That is quite a jump. What was the 1954 figure?

Mr. KRIESEL. In 1954, cash receipts from the sale of milk and butterfat were $4,131 million.

Mr. ABERNETHY. What table are you looking at?

Mr. KRIESEL. Table 1, sir. Two pages from where we are.

Mr. ANDRESEN. That was a drop of $500 million then from 1952.

Mr. KRIESEL. A $435 million drop, to be exact.

Mr. ANDRESEN. Do you have any estimates as to what it will be for 1955?

Mr. KRIESEL. We think that there will not be much change from 1954.

Mr. ABERNETHY. I did not understand.

Mr. KRIESEL. There will not be much of a change from 1954.

Mr. ANDRESEN. It will be about $4,100 million.

Mr. KRIESEL. In that neighborhood.

Mr. ANDRESEN. Will the change in the formula for calculating manufactured milk have any effect upon the 1955 income of dairy farmers in the manufacturing milk areas?

Mr. KRIESEL. Inasmuch as the price-support level has been announced at the same dollars-and-cents figures, I would say no, there would be no effect on it for 1955.

Mr. ANDRESEN. Then you cannot see any appreciable decline in the income of dairy farmers for 1955 as compared with last year?

Mr. KRIESEL. That is correct. Assuming we do not have such adverse weather as to cause a sharp drop in milk production.

Mr. JOHNSON. Now sir, the question was you cannot see any appreciable drop in the income of dairy farmers. You were talking just about the sale of milk; were you not?

Mr. KRIESEL. I assume that is what he meant by the question.

Mr. ABERNETHY. You have just estimated what the income would be for the fiscal year 1955, have you not?

Mr. KRIESEL. Calendar year 1955.

Mr. ABERNETHY. And that was fixed at what, estimated at what?

Mr. KRIESEL. In the neighborhood of $4,100 million.

Mr. ABERNETHY. What was that for 1954?

Mr. KRIESEL. $4,131 million.

Mr. ABERNETHY. Almost the same?

Mr. KRIESEL. Yes, for practical purposes.

Mr. ABERNETHY. How does the production for those 2 years compare, the quantity?

Mr. KRIESEL. The first 3 months' production of milk has run just a shade below 2 percent under the first 3 months of 1954. With good weather there will be some months this summer when production may exceed that of a year earlier so we think for the calendar year 1955 we will get essentially the same quantity of milk as was produced in 1954.

Mr. ABERNETHY. And the income will be about the same?

Mr. KRIESEL. That is right.

Mr. ABERNETHY. What effect do you think the "flex" in prices will have in the dollars-and-cents income this year as related to last year, and last year as related to the year before?

Mr. KRIESEL. The price support schedule for dairy products will not cause a perceptible difference between 1954 and 1955.

Mr. ABERNETHY. All right.

Mr. KRIESEL. As compared with 1953, income is somewhat lower as the result of the drop in support level. However, the actual prices received by farmers for manufacturing milk in 1953 was, I think, 83 or 84 percent of the parity equivalent, so that while the change in support level was announced as a drop from 90 to 75 percent of parity——

Mr. ABERNETHY. How did production for 1954 compare with 1953 in quantity?

Mr. KRIESEL. 1954 production was 2,400 million pounds greater than in 1953.

Mr. ABERNETHY. What percent is that?

Mr. KRIESEL. About 2 percent.

Mr. ABERNETHY. 2 percent increase.

Mr. KRIESEL. Yes, sir.

Mr. ABERNETHY. There was a 2-percent increase in 1954 over 1953?

Mr. KRIESEL. That is right.

Mr. ABERNETHY. How does the overall income, 1954 relate to 1953?

Mr. KRIESEL. 1954 was $4,151 million compared with $4,373 million. A drop of 242 million or about 6 percent.

Mr. ABERNETHY. 6 percent.

Mr. KRIESEL. 6 percent.

Mr. JOHNSON. I would like to follow that one point in 1952, make the same comparison.

Mr. ABERNETHY. Comparing 1952 with what?

Mr. JOHNSON. With 1953.

Mr. ABERNETHY. All right. Compare production in 1953; do you want that figure?

Mr. JOHNSON. Yes.

Mr. ABERNETHY. Compare production in 1953 with 1952, and income of 1953 with income of 1952.

Mr. KRIESEL. Production of milk in 1953, 121,149 million pounds. A gain of between 5 and 6 percent over the 113.2 billion pounds in 1952. Cash receipts from the sale of milk and cream on the other hand, in 1953 was $4,373 million compared with $4,566 million in 1952.

Mr. ABERNETHY. Then you had a higher production in 1953 than you did in 1952?

Mr. KRIESEL. That is correct.

Mr. ABERNETHY. But a loss in income?

Mr. KRIESEL. That is right; in 1952 prices were above support levels until the close of year, practically, before purchases were resumed.

Mr. ABERNETHY. You may proceed.

Mr. KRIESEL. In closing, we might consider briefly the current situation with respect to dairy products. Production of milk in the United States increased almost without interruption from late 1952 until late 1954. In the 4 months, December 1954, March 1955, milk output was slightly under that of a year earlier. This may have been

due partly to unfavorable weather and carryover effects of last summer's drought, as well as lower prices received for milk and butterfat.

While it appears that production may be leveling off, most indications point to a significant increase in consumption of milk and a number of the manufactured dairy products. Increases in consumption rates reflect expanded distribution of Government stocks of dairy products into domestic channels, and increased use of milk under the special school milk program, as well as larger consumer incomes and slightly lower retail prices. The latter two have helped increase takings in normal commercial channels. Moreover, of course, the population is steadily expanding.

In the marketing year ended March 31, 1955, a total of 123 billion pounds of milk was produced compared with 122.4 billion a year earlier. Total civilian disappearance, on the other hand, increased to 115.4 billion in 1954–55 compared with 109.4 billion in 1953–54.

Mr. ABERNETHY. Do you have any opinion as to the reason for that?

Mr. KRIESEL. There are several factors. I tried to touch upon some of them in the preceding paragraph. The expanded distribution of manufactured dairy products from Government stocks has been a factor. The distribution of milk under the special school milk program has played quite a part in increasing consumption of fluid milk and cream. And secondly, we have had an increase in consumer incomes and in consumer demand since last fall. Prices at retail this past marketing year averaged somewhat lower than in the preceding marketing year.

Mr. ABERNETHY. Milk and dairy products were not any cheaper; were they?

Mr. KRIESEL. At retail.

Mr. ABERNETHY. That is at retail?

Mr. KRIESEL. At retail the price varies among products. Butter showed a drop on the order of 9 or 10 percent.

The reductions for the other products was less than that. And for fluid milk, particularly, the drop was very slight. But all of them were in a downward direction. With the increase in consumer incomes, that helped induce greater consumption.

Mr. HEIMBURGER. I wanted to ask a question at this point which I think is partly answered but I want to be sure, whether the purchases by the Government of dairy products are included in your figure of civilian disappearance.

Mr. KRIESEL. The purchases that are channeled back into the civilian channels are included; yes, sir.

Mr. HEIMBURGER. That are disposed of?

Mr. KRIESEL. That is right.

Mr. HEIMBURGER. That would include even diversionary disposal such as the dried milk, dried skim milk?

Mr. KRIESEL. Except for animal feeds, that was not in there.

Mr. HEIMBURGER. That was not included?

Mr. KRIESEL. No, sir.

Mr. HEIMBURGER. These figures do represent then consumption?

Mr. KRIESEL. That is right as nearly as we can determine it.

Mr. HEIMBURGER. Human consumption?

Mr. KRIESEL. Yes, sir.

Mr. HEIMBURGER. Thank you.

Mr. ANDRESEN. What is the theory of the economists on consumption of milk and other dairy products with the increase in income. I understood you to say that we had the highest income that we have had last year. Does it mean that if the income of individuals is increased that they will use more dairy products?

Mr. KRIESEL. That is true for practically every dairy product; yes, sir. There will be some increase for every dairy on product but there will be a variation among the products in the way that they respond to a given increase in income.

Ice cream may be cited as an example of a large increase accompanying a given change in income.

Mr. ANDRESEN. Have you broken that income down into groups to see what the effect is of the purchasing power on dairy products, say, in people having incomes up to $5,000; other groups having incomes up to $10,000?

Mr. KRIESEL. That is right.

Mr. ANDRESEN. And so on up?

Mr. KRIESEL. Yes. That has been done in various studies and it shows almost without exception larger consumption as family incomes are increased.

Mr. ANDRESEN. That is the lower income groups?

Mr. KRIESEL. The response would be greater among the lower income groups for a given increase in incomes. Greater, that is, than it would be for the higher income groups, because the higher income groups already are consuming larger quantities of dairy products.

Mr. ANDRESEN. Has the medical advice been that people should use less butterfat to keep their weight down—has that had any effect upon consumption?

Mr. KRIESEL. We have made no such studies. We have observed, of course, the decrease in consumption of butter and the decrease in consumption of cream. Probably there is a whole complex of reasons why they have decreased.

Mr. LAIRD. Did you say that there was little price differential as far as fluid milk and that there was not the drop compared with butter and cheese?

Mr. KRIESEL. In terms of averages for the country as a whole, the percentage drop for fluid milk has been considerably less than has been the case for butter.

Granted, in some markets there have been much greater drops——

Mr. LAIRD. How much less?

Mr. KRIESEL. The decline in average retail butter price was in the neighborhood of 9 percent whereas probably it was closer to 2 or 3 percent for whole milk, based on United States average prices.

Mr. LAIRD. Have you made any studies as to why the support level does not have such a direct effect on fluid milk as compared with other dairy products?

Mr. KRIESEL. Well, no, sir; no elaborate studies. But general observation indicates substantial increases in cost of distributing fluid milk and the fact that the cost of distribution takes a larger percentage of the consumer's dollar in the case of fluid milk than in the case of butter would be part of reason for it.

Mr. LAIRD. Can it be based upon the increases in the cost of distribution?

Mr. KRIESEL. We really do not have exhaustive studies to tell to what extent the cost or the gross margin has been accounted for by cost increases in say increased profits, but there has been a widening in the gross margin between the price received by farmers and the retail cost to consumers.

Mr. ANDRESEN. One question occurs to me. Have the consumers had the benefit of a drop in prices of dairy products to the farmers?

Mr. KRIESEL. Retail prices have been reduced, but different amounts for the different products.

Mr. ABERNETHY. You say retail prices have been reduced?

Mr. KRIESEL. The price of butter, average retail price for the country as a whole, now is in the neighborhood of 72 cents per pound, compared with 79 cents per pound before the support level was lowered.

Mr. ABERNETHY. What else?

Mr. KRIESEL. The price of evaporated milk in 1954—9 months of that period, of course, was after the drop in support—was approximately 14 cents per 14.5-ounce can compared with 14.6 cents in calendar year 1953. The retail price of American cheese in 1954 was 57.5 cents per pound, compared with 59.8 cents per pound in 1953. And butter carried out to the tenths, 71.8 cents in 1954, 79 cents in 1953.

Mr. ABERNETHY. Let us get around to that which we all think on mentioning dairy products—fluid milk, what about that? Most of us eat a little cheese; that is, we do between dinner and time to go to bed——

Mr. KRIESEL. The United States average retail price of fluid milk delivered to homes in 1954 was approximately 23 cents per quart. In 1953, 23.4 cents per quart.

Mr. ABERNETHY. Repeat that now; 1954 was what?

Mr. KRIESEL. Twenty-three cents per quart.

Mr. ABERNETHY. That was in 1954?

Mr. KRIESEL. In 1954 and 23.4 cents in 1953.

Mr. ANDRESEN. That is a national average, is it not?

Mr. KRIESEL. That is correct.

Mr. ABERNETHY. Where did that drop appear? It did not happen around here. Actually, I think we are paying about a cent more. I know it is no cheaper.

In what section of the country did that drop occur?

Mr. KRIESEL. I believe I do not have with me the tabulation by cities on retail prices. I would be glad to submit those data at a later time.

Mr. ABERNETHY. Could you just tell us from memory what section of the country that drop took place in?

Mr. KRIESEL. I believe that it is not safe to generalize on that, because there have been such sharp variations among cities even within rather narrow geographic limits. For example, we might have had, in some places, changes in merchandising methods or price wars among dealers that has brought about sharp price reductions, in a given city, while in a city nearby there may have been no change.

Mr. ABERNETHY. Then you are saying that the so-called flexing of the price may have had nothing to do with this?

Mr. KRIESEL. That price applies to single quarts and is an average for the whole country, delivered to homes only. The thing that has

happened as I observed in the statement in a growing number of cities a multiple quart container has been introduced and usually they are sold at a lower price per quart than is the case for single quarts. So the series on United States average retail prices of milk may not indicate fully the change that has occurred at the retail level.

Mr. ABERNETHY. In your opinion, did the flexing downward of the price of milk result in the delivery of more milk at a cheaper price to the consumer?

Mr. KRIESEL. In general, I would say yes, it did.

Mr. ABERNETHY. All right. How much?

Mr. KRIESEL. Are you speaking of fluid milk or all dairy products?

Mr. ABERNETHY. Did it result in the delivery—I am speaking of fluid milk—of milk at a cheaper price to the consumer?

Mr. KRIESEL. Yes, sir.

Mr. ABERNETHY. How much is it?

Mr. KRIESEL. The price reduction in this particular series shows only roughly half a cent per quart.

Mr. ABERNETHY. Does it actually show? It shows 0.4 of 1 cent.

Mr. KRIESEL. 23 cents in 1954 compared with 23.4 in 1953.

Mr. ABERNETHY. You just said a few moments ago some of that drop was as the result of other factors, price wars, and some other things.

Mr. KRIESEL. That is right.

Mr. ABERNETHY. That is correct, is it not?

Mr. KRIESEL. Yes, sir.

Mr. ABERNETHY. So with that very, very small percentage in drop which I have not been able to find or feel yet—if you do not feel it, you do not know anything about it.

With that very small percentage in drop, is it not fair to say that the consumer is paying just as much for his fluid milk today as he paid before that infinitesimal drop was effective?

Mr. KRIESEL. I would hesitate to make a general statement about that because of the variation among cities. We did have about 0.4 cent drop, on single-quart basis.

Mr. ABERNETHY. You know the great appeal for this flexing of price has been made to the consumer. We have had numerous speeches on it and still have them. I might be biased or prejudiced because of my own views on this subject, but 75-percent supports were invoked because farmers were said to have been pricing their products out of the market. But according to the figures you have given this morning, the facts are that the consumer is getting very little if any benefit from the flexing of prices; actually there is no appreciable increase in consumption of milk.

Mr. KRIESEL. For the marketing year ending March 31, 1955, shown in table 8 here at the back of the statement, it appears there was an increase of nearly 3 to 4 percent possibly in the aggregate quantity of fluid milk.

Mr. ABERNETHY. I did not go far enough. What I meant to say was there has been no increase in the consumption because of the drop in price because actually there has not been enough drop to affect consumption. Isn't that a fair statement?

Mr. KRIESEL. The drop in retail price of whole milk has been much less than the case for the other dairy products——

Mr. ABERNETHY. I am getting lost. I will let some of the others carry on.

Mr. JOHNSON. These handlers and distributors of whole milk are getting the benefit of the flexing in price on the purchase of their milk from the producers, the same as the man that runs the creamery and the cheese factories?

Mr. KRIESEL. I might observe there has been an increase in the gross margin between the farm price and the retail price between 1953 and 1954.

Mr. JOHNSON. I have been reading in the papers, I have not seen the exact figures, that all of these big distributors of whole milk have shown pretty nearly double their profits in the last year.

Mr. KRIESEL. I think most have shown increases.

Mr. JOHNSON. Have they doubled?

Mr. KRIESEL. I have seen sizable increases. I have not checked the percentages.

Mr. JOHNSON. Do you know what the percentage is?

Mr. KRIESEL. I do not know.

Mr. JOHNSON. They showed more profit in 1954 than they did in 1953.

Mr. KRIESEL. I think that has generally been the case.

Mr. JOHNSON. Could you supply those figures to the committee?

Mr. KRIESEL. I will make an effort to do so, if it is at all possible, we will do that.

Mr. JOHNSON. Could we put them in the record at this point?

Mr. ABERNETHY. That may be supplied and inserted in the record.

(The profit figures are as follows:)

Sales, net worth and income before and after provision for income taxes, 10 major dairy companies, 1940–53, and 7 major dairy companies, 1953–54 [1]

[In millions]

Year	Sales	Net worth	Net income	
			Before taxes	After taxes
10 companies:				
1940	$831	$307	$35.9	$26.8
1941	1,039	315	55.2	35.1
1942	1,347	340	86.6	38.4
1943	1,465	356	110.6	40.7
1944	1,564	366	121.3	36.9
1945	1,724	389	121.0	38.9
1946	2,042	425	121.7	72.4
1947	2,344	468	102.2	61.7
1948	2,555	506	103.7	63.1
1949	2,392	544	130.7	78.9
1950	2,453	583	147.2	77.7
1951	2,822	614	144.9	62.4
1952	3,039	643	143.5	63.7
1953	3,164	664	167.1	71.3
7 companies:				
1953	2,761	582	153.5	65.0
1954	2,727	609	152.4	75.1

[1] Compiled from financial statements published in Moody's Industrials. Fiscal years vary among companies. Those companies for which year ends before July 1 are shown in data for preceding calendar year. Consequently, the 3 companies for which fiscal year ended in early 1955, data are not yet available to complete the report for 1954.

Mr. LAIRD. Have you studied the effect of the price-support levels on the fluid market?

Mr. KRIESEL. In terms, you mean, of the retail price of milk?

Mr. LAIRD. In terms of the price that the handler pays for his milk.

Mr. KRIESEL. We have tabulations on the changes in prices paid by dealers by markets.

Mr. LAIRD. Isn't it a fact that in manufacturing milk areas, the change in parity at which the manufactured milk is supported is reflected in cheese and butter but a change is not immediately reflected in the price of fluid milk?

Mr. KRIESEL. The reduction in support level that occurred on April 1, 1954, was followed rather quickly with a drop in the price in manufacturing milk. The price paid by fluid milk dealers in a number of markets that had their pricing structure geared to the manufacturing price level, showed a decrease in the neighborhood of 30 to 40 cents per hundredweight.

Mr. LAIRD. What was the experience in some of the marketing areas that were not gaged to the manufactured milk?

Mr. KRIESEL. Well, a number of those markets related less closely or say, not related in the formula to the manufacturing prices, there was a reduction, beginning before the price-support level was lowered. So at the time the manufacturing milk-support level was lowered on April 1, 1954, they did not show the drop that the other markets did. But over the period the change has been as great.

Mr. LAIRD. There would not have been as much drop in the fluid milk as the milk came into those markets in bottles as the date of support level on manufacturing milk was reduced?

Mr. KRIESEL. That follows.

Mr. LAIRD. Can you show us or tell us what the increases that you spoke of in the distribution amounted to in several markets? Just take a couple of markets as an example.

Mr. KRIESEL. I have before me a table that appeared in the Marketing and Transportation Situation for January of this year. It shows gross margins between retail prices of fluid milk in stores, and dealers' buying prices, based on multiple-quart sales in a number of cities. It shows here the actual margin per quart during the calendar year 1954, compared with the actual margin in calendar year 1953. In most markets there were increases, but some showed decreases.

I would be glad to submit this table for insertion into the record.

Mr. LAIRD. That would be fine.

Mr. KRIESEL. Very well.

(The table is as follows:)

Cross margin between retail price of fluid milk in stores and dealers' buying price, based on multiple-quart sales, selected cities, 1950, 1953, and 1954

Market	1950 margin per quart	1953 margin per quart	1954		
			Margin per quart	Change from 1950	Change from 1953
	Cents	*Cents*	*Cents*	*Percent*	*Percent*
Washington, D. C.	5.1	6.8	7.1	39	4
Cleveland, Ohio		6.3	8.0		27
Chicago, Ill.	10.4	11.2	10.0	−4	−11
Detroit, Mich.	7.1	8.0	7.9	11	−1
Milwaukee, Wis.	6.5	8.6	8.8	35	2
Kansas City, Mo.		7.7	8.3		8
Omaha, Nebr.		10.0	9.6		−4
Louisville, Ky.		11.0	10.6		−4
Denver, Colo.	7.7	9.2	9.6	25	4
Salt Lake City, Utah		8.6	9.0		5
Seattle, Wash.		8.3	8.4		1
San Francisco, Calif.		9.4	9.5		1
Los Angeles, Calif.		9.0	9.1		1
Average	7.4	9.0	8.9	[1] 18	−1

[1] Change in average margin of 5 cities for which prices were available in 1950.

Source: Published as table 6 in Marketing and Transportation Situation, MTS–116, January 1955, AMS, USDA.

Mr. LAIRD. What I wanted to find out was this: You referred to the increases in cost of distribution. I was trying to pin them down definitely as to what they were.

Mr. KRIESEL. What services and so forth are accounted for?

Mr. LAIRD. Is there a study of that?

Mr. KRIESEL. No; I am sorry, we just have with us the gross measure of the difference between the farm and retail price and we do not have it broken down as among, say, materials used, labor used and that sort of thing.

Mr. LAIRD. Could you say, generally, that the reduction in the support level on dairy products was reflected almost immediately only in cheese and in butter and in powder and not reflected in fluid milk?

Mr. KRIESEL. No; the markets—these are Federal order markets I am referring to—that had the formula set up to tie immediately to the price of manufacturing milk showed a drop either that month or the month following in the price charged the dealers for the milk bottled.

Mr. LAIRD. You have given us figures here where you show that the consumers got the benefit as far as butter and cheese are concerned but you do not show much benefit that the consumer received so far as milk is concerned. That is what I cannot understand. I was trying to figure out why that happened. Why the consumer only benefited supposely in the butter and cheese market. In fluid milk, you show very little decline. You come out with a decrease of 0.4 of 1 cent in the price that the consumer is paying for a quart of fluid milk. But the percentage that is reflected in butter particularly, is a much greater percentage?

Mr. KRIESEL. That is right.

Mr. LAIRD. I am trying to figure out why it was not passed on to the consumer in fluid milk?

Mr. KRIESEL. We mentioned some of the Federal order markets did adjust rather quickly within a month or so after the change. There is of course a lot of milk sold in the country that is not priced under the Federal order program.

Mr. ABERNETHY. They are adjusted only on what the handler pays the producer?

Mr. KRIESEL. That is right.

Mr. ABERNETHY. They did not make any adjustment and had no authority to make an adjustment for what the consumer paid the handler?

Mr. KRIESEL. That is correct, sir. There has been, as I say, widening of the margins, gross margins between the farm and the retail prices. So that has absorbed part of it.

Mr. LAIRD. Why doesn't this reflect itself in the fluid milk? It does in the cheese and in the butter as you pointed out, but I have not gotten the reason on the bottle milk.

Mr. KRIESEL. Part of this is due to the limitation of the average we use for fluid milk. The retail butter price is much more meaningful, really, than is the retail price of fluid milk since the price on fluid milk is set in so many different ways over the country and we have local conditions affecting the price levels for fluid milk. The severe drought in the southern part of the country last year no doubt resulted in higher prices than would have prevailed in the absence of such unfavorable weather. That helped, in other words, to hold up the

price over what we would otherwise have had. On the other hand, markets that were located in areas that had better crops, adjusted to the change in support structure and remained adjusted through the rest of the year.

Mr. LAIRD. Were there increases in labor cost in the distribution of fluid milk? Is that part of it?

Mr. KRIESEL. I am sorry, we do not have with us the cost rates on the different items that go into the processing and distribution cost of milk for the last 2 years.

I think, as I read the papers, there were a number of employees or labor groups in the milk distribution business that did receive increases but we do not have with us an overall index of that for the country as a whole at the time.

Mr. WATTS. You stated that the pattern of the market of fluid milk was going through some change in some of the cities in that it was being marketed in larger containers, that is, in half and full gallons?

Mr. KRIESEL. Yes, sir.

Mr. WATTS. And at a cheaper price to the consumers?

Mr. KRIESEL. Yes, sir.

Mr. WATTS. What portion of this 0.4 of 1 cent drop would you attribute to the fact that milk is being sold on a rather wide basis by gallon and half-gallon.

Mr. KREISEL. The four-tenths of 1 cent decline per quart was for merely the single quart.

Mr. WATTS. On the single-quart basis?

Mr. KREISEL. In the single quart only. We do not have United States average data on the multiple quart containers. Perhaps we have an unreported price reduction in there.

Mr. WATTS. Your report then is based on the quart sale rather than on the half and full gallon sale?

Mr. KREISEL. We are attempting to develop data to determine to what extent the increased volume sold in those containers is contributing to a lower average cost to consumers for milk.

Mr. WATTS. When the price went down in April that you referred to, do you know of any sections of the country where the handlers or processors of the milk did not reduce the price to the producer?

Mr. KRIESEL. I am not prepared to cite any right now. I do not have a listing before me.

Mr. WATTS. I believe, according to your statement, about 50 percent of the milk went into fluid milk consumption.

Mr. KRIESEL. Yes, sir.

Mr. WATTS. Then the reduction that was handed down to the producer only affected on the retail level about 50 percent of the product, assuming that there was a drop in the price of butter and a prop in the price of cheese, but no drop in the price of milk, the reduction that the producer took resulted in a drop in the retail price of about 50 percent of the dairy products?

Mr. KRIESEL. The drop in retail price that occurred was greater for the manufacturing component or the milk that went into the manufacturing component, but there also was a drop on the bottled milk?

Mr. WATTS. Of four-tenths of a cent.

Mr. KRIESEL. On the single-quart basis. As I say, we do not know, I am sorry to say, what the average reduction on all milk has been.

Mr. WATTS. To all intents and purposes, in the small drop on the fluid milk, you might say only 50 percent of the supply of milk was affected by the reduction in price that went to the producer; is that right?

Mr. KRIESEL. We can say that 50 percent of the supply was affected less than the other category, but all was affected some.

Mrs. KNUTSON. Maybe I can help Mr. Laird to bring out a point here.

I was wondering about this. Last Sunday the Secretary of Agriculture made this statement on the American Forum of the Air, that dairy production was leveling off. Well, now, how can he say that when last year we had an increase in the cow population, milk cow population of about 500,000, if I remember the figures, they are from 24,200,000 to 24,700,000. And we must have had a proportionate increase in milk. Could you supply for the record here about how much that increase was or bring it in for the record?

I would not call that to be a leveling off; would you?

Mr. KRIESEL. I did not happen to hear that program. I do not know what he may have been referring to. It could be that he was observing the fact that in the last 4 months production of milk has been running at a lower level than we had in the same 4 months a year ago.

Mrs. KNUTSON. That may be, but this was just within the last year that I am talking about.

You see, the farmer's income then has been cut about 22 percent. Then under the flexible price-support program—there are about 10 items in this classification—there would be a cut possibly of 10 percent. Where did the rest of it go? Housewives want to know. I cannot answer that.

Mr. KRIESEL. I am sorry I do not understand the percentages you have cited.

Mrs. KNUTSON. The farmers' income has been cut 22 percent.

Mr. KRIESEL. Over what period of time?

Mrs. KNUTSON. Just this past 2 years. Then under the flexible support program for dairy products, they have gotten about 10 percent decline in food prices. Where did the other 10 percent spread go to between the farmers' price and what they have to pay for the farmers' product?

Mr. KRIESEL. Well, we have data which indicate there was an increase in the gross margin between the farm level and the retail level. But I am sorry we do not have with us the data to tell us which cost factors obtained increases.

Mrs. KNUTSON. Which cost factors are the most prominent in that particular spread? I certainly would like to have an answer to that. I do not know where to get it.

Mr. KRIESEL. We can supply some data that would indicate for past years what proporation of the distribution cost went to labor, what went for materials, and so forth.

Mrs. KNUTSON. I would like to have that.

Mr. KRIESEL. We will be glad to submit that.

(The information is as follows:)

Fluid milk and cream products: Major cost items as a percentage of the net sales dollar, 1952–54 [1]

[Percent]

Cost item	1952	1953	1954
Milk and cream	51.6	48.8	47.3
Other materials [2]	7.6	8.1	8.2
Salaries, wages, and commission	18.3	18.9	20.0
Containers	5.3	5.5	6.0
Operating supplies	2.6	2.8	3.2
Repairs, rent depreciation	4.5	4.6	5.3
Taxes [3]	.9	.9	1.0
Insurance	.6	.8	.9
Service	1.5	1.7	1.8
Advertising	1.2	1.3	1.5
General	1.3	1.2	1.2
Net operating margin before income taxes	4.6	5.4	3.6
Total	100.0	100.0	100.0

[1] Based on a continuing study of a group of medium-sized plants located in the North Central and Southern States. The number of plants covered increased from 42 at the beginning of 1952 to 77 at the end of 1954. Annual data are simple averages of quarterly data and represent the average of costs for all fluid milk products commonly handled by fluid milk dealers. These data are simple averages of cost percentages for groups of dealers.

[2] Includes nonmilk ingredients and finished products purchased for resale.

[3] Excludes income taxes.

Source: Agricultural Marketing Service.

Mr. WILLIAMS. Will you tell me the percentage of fluid milk that is consumed, that is delivered at the door—over and above that sold at the store?

Mr. KRIESEL. I am sorry that there are no countrywide data on that, sir. There are a few studies that have been made in a few cities to indicate the ratio.

Mr. WILLIAMS. What is the spread between the two?

Mr. KRIESEL. That varies greatly by cities. Some cities have no differential between the delivered price and the store price. Others have several cents per quart difference.

Mr. WILLIAMS. What is the cost of distribution per quart of milk delivered at the door?

Mr. KRIESEL. We have the gross difference between the farm price received by farmers for milk—do you want it on price paid by dealers for milk and the door price——

Mr. WILLIAMS. I want the cost of distribution by dealers. I am not talking about producers' delivery but the cost of distribution by dealers; what is his cost in producing or distributing the quart of milk to the door?

Mr. KRIESEL. I do not have with me data on that. There have been 1 or 2 studies made in some markets that would indicate that. I could submit that information later.

Mr. WILLIAMS. An important factor in determining the price of milk delivered at the door is the cost of distribution; isn't that one of the important factors?

Mr. KRIESEL. That is an important factor and must be observed by the State agencies.

Mr. WILLIAMS. About the drop in different classes of milk under the flexible program—there have been costs within the—wages of labor have been increased during that period, there have been increases, so I think it would be rather interesting to have this committee

know what the cost of distribution per quart of milk is distributed to the door.

Mr. KRIESEL. I will be glad to get what data we can and submit it to the committee.

Mr. ANDRESEN. You said studies have been made in a few cities, I believe.

Mr. KRIESEL. Yes; there have been accounting-type surveys.

Mr. ANDRESEN. What cities were those made in?

Mr. KRIESEL. New York is one that comes to mind.

Mr. ANDRESEN. What other city?

Mr. KRIESEL. I think Portland, Oreg.

Mr. ANDRESEN. Will you put into the record at this point the result of those studies so that the committee can get this question answered?

Mr. KRIESEL. I will be glad to do that.

(The information is as follows:)

An analysis of the "spread" between farm and consumer milk prices in New York City under present practices—approved plain milk in 1-quart glass bottles distributed to homes, by companies

	Company No.				
	1	2	3, non-integrated	4	5, non-integrated
Based on data for 12-month period ending..	July 1948	March 1948	November 1948	February 1948	November 1948
	Cents per quart				
The price to the consumer was	22.957	21.730	22.080	21.309	22.080
The net price at the farm for class 1-A milk, including premiums was	11.448	10.788	11.609	10.685	11.609
Hauling to country plants cost	.397	.397	.409	.385	.409
Pooling and administrator's charges were	.075	.070	.081	.068	.081
Total cost at country plant platform	11.920	11.255	12.099	11.138	12.099
The spread available for country costs, processing and distribution was	11.037	10.475	9.981	10.171	9.981
Country costs:					
Receiving, handling and loading at country plants cost	.347	.464	.447	.470	.447
Transportation to city processing plants cost	.677	.794	.750	.844	.750
Total country costs	1.024	1.258	1.197	1.314	1.197
The spread available for processing and distribution was	10.013	9.217	8.784	8.857	8.784
City processing plants:					
These bottling speeds per minute	[1] 91	[1] 85	[1] 110	[1] 82	[1] 110
And these operators and cleanup men per bottling line were major factors in creating these	[2] 4.5	[2] 8.0	[2] 4.6	[2] 7.1	[2] 4.6
Pasteurizing and bottling costs for—					
Labor	.410	.612	.268	.589	.268
Expense	.532	.441	.468	.650	.468
Differences in layout and methods created these different truck-loading and unloading costs for—					
Labor	.496	.826	.892	.587	.892
Expense	.355	.356	.726	.391	.726
Total plant labor and expense	1.793	2.235	2.354	2.217	2.354

[1] Speed per minute.
[2] Employees.

An analysis of the "spread" between farm and consumer milk prices in New York City under present practices—approved plain milk in 1-quart glass bottles distributed to homes, by companies—Continued

	Company No.				
	1	2	3, non-integrated	4	5, non-integrated
Based on data for 12-month period ending..	July 1948	March 1948	November 1948	February 1948	November 1948
	Cents per quart				
City processing plants—Continued					
Containers, closures, and cases cost.....	0.560	0.515	0.666	0.505	0.666
Total city plant cost.....	2.353	2.750	3.020	2.722	3.020
The spread available for distribution was.....	7.660	6.467	5.764	6.135	5.764
Distribution to homes:					
The average route incurred these daily fixed costs for—					
Regular and relief driver's base pay..	$13.32	$13.54	$11.90	$12.40	$16.90
Supervision.....	$0.32	$0.53	----------	$1.17	----------
Truck operating and maintenance..	$3.60	$3.02	$4.93	$3.72	$4.93
Selling and administration.....	$7.67	$6.11	$0.94	$6.43	$0.94
Total fixed cost per day.....	$24.91	$23.20	$17.77	$23.72	$22.77
Paid the driver this commission per day.....	$2.75	$2.52	$2.81	$2.39	$2.81
and lost this much per day in bad debts.	$0.21	$0.21	$0.29	$0.05	$0.29
To serve this average number of customers per day.....	[3] 135	[3] 159	[3] 177	[3] 151	[3] 177
The cost per customer of these services—delivery, driving, selling, collection, bookkeeping, customer service—varied because of differences in dwelling types and collection practices, but for the average customer call the cost was.....	18.507	14.564	10.057	15.709	12.886
For a delivery of—					
1 quart, this is a cost per quart of..	18.507	14.564	10.057	15.709	12.886
2 quarts, this is a cost per quart of..	9.254	7.282	5.029	7.855	6.443
3 quarts, this is a cost per quart of..	6.169	4.855	3.352	5.236	4.295
4 quarts, this is a cost per quart of..	4.627	3.641	2.514	3.927	3.222
5 quarts, this is a cost per quart of..	3.701	2.913	2.011	3.142	2.577
The average customer took these units per delivery.....	[4] 2.86	[4] 2.56	[4] 2.83	[4] 2.54	[4] 2.83
Creating this average delivery cost per quart.....	6.471	5.689	3.554	6.185	4.553
Commissions per quart were.....	.597	.565	.574	.554	.574
Bad debt losses per quart were.....	.041	.045	.055	.008	.055
Total distribution cost was.....	7.109	6.299	4.183	6.747	5.182
Milk lost in all functions cost.....	.241	.228	.245	.226	.245
Total costs for country, processing, distribution, and milk loss.....	10.727	10.535	8.645	11.009	9.644
Spread available for use and risk of capital: ( ) indicates loss before Federal and State income taxes.....	.310	(.060)	1.336	(.838)	.337

[3] Customers.
[4] Units.

NOTE.—Published as table 1 in appendix, of "An analysis of the spread between farm and consumer milk prices in New York City under present practices." Pt. I of the Annual Report of the New York State Temporary Commission on Agriculture 1948–49.

Average unit costs of distributing important milk and cream items wholesale and retail, Portland, 1949

Item	Unit costs by functions				
	Processing	Delivery	General and administrative	Selling	Total unit costs
Wholesale:	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
Milk,[1] quarts, paper	3.49	1.65	0.64	0.50	6.28
Milk,[1] quarts, glass	2.27	3.40	.63	.38	6.68
Cream,[2] half pints, paper	1.72	.71	.57	.64	3.64
Cream,[2] half pints, glass	1.02	1.44	.58	.44	3.48
Retail:					
Milk,[1] quarts, glass	2.24	3.92	1.53	.47	8.16
Cream,[2] half pints, glass	.99	3.14	1.45	.49	6.07

[1] Includes standard, homogenized, and premium milk (including 10 percent milk).
[2] Includes table and whipping cream.

Source: Costs of Distributing Milk in the Portland Market, Station Bulletin 510, Oregon State College, February 1952, table 2, p. 18.

Summary of sales, expenses, and profits, 6 leading milk companies in the New York-New Jersey metropolitan area (6-year average, 1941–46, and 12 months ended June 30, 1947)

Item	Millions of dollars		Percent of sales	
	6-year average 1941–46	12 months ended June 30, 1947	6-year average 1941–46	12 months ended June 30, 1947
Sales	$158.6	$219.4	100.0	100.0
Product cost	90.3	134.1	57.0	61.1
Gross spread	68.3	85.3	43.0	38.9
Expenses:				
Receiving, processing, and transportation	21.2	29.5	13.3	13.4
Bottles, caps, paper containers, etc.	6.7	6.9	4.2	3.1
Selling and delivery	33.8	40.9	21.3	18.7
Administrative and general	2.4	2.8	1.5	1.3
Loss on property and equipment sold	.4	.4	.3	.2
Total expenses	64.5	80.5	40.6	36.7
Profit before taxes on income	3.8	4.8	2.4	2.2
Federal and State taxes on income	2.3	2.0	1.4	.9
Net profit after all taxes	1.5	2.8	1.0	1.3

Source: Sales, expenses, and profits of 6 leading milk companies in the New York-New Jersey metropolitan area, Bulletin A. E. 528–C, October 1947. A preliminary report by Leland Spencer, New York State College of Agriculture, Ithaca, N. Y.

Mr. POLK. I wondered if you could give us some information about the disappearance of milk as a result of our increase in the school-lunch program for milk. I notice there in your table 8, where you outline various items of disappearance. You have not included anything with reference to the school-lunch program. You no doubt are aware that we have greatly expanded that program?

Mr. KRIESEL. That is correct, sir. That number is concealed in what we have labeled here "Civilian Disappearance."

The consumption or the distribution of milk under the school milk program, according to the latest figures, is about a 400-million-pound increase on a calendar-year basis for the current year as compared with the preceding year. In other words, increasing from the neigh-

borhood of 800 million pounds per year to 1,200 million pounds for the current year.

It is anticipated——

Mr. POLK. In other words, there has been a substantial increase in the consumption of milk due to the school-lunch program?

Mr. KRIESEL. Very substantial increase, sir. It is anticipated further that as the program gets further along and better set up, that in the next year there will be a larger increase still.

Mr. ABERNETHY. We have on this committee, and I think fortunately so, Representative Anfuso, who represents a large consuming area in New York City. Naturally he and his constituents are interested in this program from the position of the consumer. I would like to ask this question: Last year on April 1, price supports on all milk dropped from 90 percent of parity to 75 percent of parity. Can you tell us, please, wehther or not that resulted in the delivery of milk to the door of his constituents at a cheaper price?

Mr. KRIESEL. I do not have the exact figures here but as I recall, there was, just prior to that change in price level, a moderate price war in New York City so that I believe the reduction shown for New York may not have been as much as the reduction otherwise would have been. We can get the complete data.

Mr. ABERNETHY. You have reference to the price war. You testified a few moments ago that there was a national drop of 0.4 of 1 cent, that is, a drop from 23.4 to 23 cents. That is the national average. And you stated that some of that drop of 0.4 of 1 cent was as a result of price wars and other factors. What I want to know is—and what I think all of us on the committee would like to know—whether or not the consumer who is purchasing fluid milk, has actually profited from this drop in price supports. I have not been able to find from your testimony that he has. The national average drop was only 0.4 of 1 cent. You have not said that was the result of a drop in price support. You said it was the result of an accumulation of things. The reason I ask that question is that the consuming people have been lead to believe that they have been saved a lot of money on their grocery bills and on their milk bills. I just would like for somebody to lay it out on the table and let us really see how much they have saved.

Mr. LAIRD. I hope that Mr. Anfuso's constituents are also interested in the products produced in my district which are cheese and some butter. I know they are. And I would like the prices supplied for cheese and butter, too, in the New York area.

Mr. KRIESEL. We can supply all of those data for the New York area, and moreover, we can submit data on retail price changes for quite a large number of city markets over the country so that we could give to the committee a representation across the country of what the change at retail has been.

(The information referred to is as follows:)

New York City: Retail prices, specified dairy products, 1953–55

[Cents]

Year	January	February	March	April	May	June	July	August	September	October	November	December	12-month average, ending Mar. 31
Milk, fresh (delivered)													
1953				[1] 25.4	[1] 24.5	24.5	25.2	26.2	26.6	26.6	27.2	27.2	
1954	26.8	26.5	26.2	25.2	24.8	24.9	26.2	26.5	26.9	27.2	27.2	27.2	26.1
1955	26.9	26.9	26.3										26.4
Milk, fresh (grocery)													
1953				[1] 22.8	[1] 22.0	22.0	22.8	23.7	24.1	24.1	24.6	24.8	
1954	24.5	24.2	23.8	22.8	22.4	22.4	23.8	24.1	24.3	24.7	24.6	24.6	23.6
1955	24.3	24.3	23.7										23.8
Butter													
1953				80.0	80.0	80.0	79.6	79.4	79.8	80.2	81.2	80.7	
1954	80.5	80.2	79.7	71.6	70.7	70.4	70.7	70.7	70.8	73.0	72.7	73.3	80.1
1955	72.2	72.6	72.3										71.8
Cheese													
1953				62.6	61.9	62.2	62.8	62.2	62.4	65.4	62.2	62.3	
1954	61.9	61.5	60.7	59.7	59.2	58.5	58.3	58.4	58.5	58.5	58.9	58.7	62.3
1955	58.7	59.2	59.2										58.8
Milk, evaporated													
1953				15.0	15.0	15.0	14.6	14.5	14.5	14.5	14.5	14.4	
1954	14.4	14.4	14.3	14.0	14.0	13.9	14.8	13.9	13.9	13.9	14.0	14.0	14.6
1955	14.0	14.0	14.0										14.0

[1] New York-Newark, N. J.

Data from Bureau of Labor Statistics.

Mr. ABERNETHY. You may proceed with your statement.

Mr. KRIESEL. This is an increase of about 6 billion pounds of milk equivalent, or 5 percent. Accounting for the increase of 6 billion pounds was butter with 2.6 billion pounds milk equivalent; American cheese, 1.1 billion pounds and fluid milk and cream and several minor uses 2.5 billion pounds. A few other products showed slight decreases.

The gross quantity purchased by the Department of supporting dairy markets in 1954–55 was equivalent to 5¾ billion pounds of milk compared with approximately 11 billion pounds in the 12 months ended March 31, 1954. On the basis of current levels of output and of consumption, it appears that the surpluses that will be offered to the Department in the current marketing year will show another substantial decrease.

(The tables are as follows:)

Year	Number of milk cows on farms [1]	Production per milk cow [2]	Total milk production on farms [2]	Milk sold to plants and dealers		Total sales of milk by farmers	Weighted average price received by farmers		Cash receipts from marketings of all milk and cream [3]	Income from dairy products as percentage of total cash receipts [4]	Price received by farmers as percentage of parity			Per capita production of milk [7]	Per capita consumption of all milk products [7]	Surplus bought by U. S. Department of Agriculture [8]
				As whole milk	As farm-skimmed cream		Milk delivered to plants and dealers, per 100 pounds	Butterfat in cream, per pound			Milk delivered to plants and dealers [5]	Butterfat in cream [5]	All farm products [6]			
	Thousands	*Pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Dollars*	*Cents*	*Million dollars*	*Percent*	*Percent*	*Percent*	*Percent*	*Pounds*	*Pounds*	*Million pounds*
1925	21,503	4,218	90,699	26,830	30,417	63,517	2.38	42.4	1,515	13.7	93	99	95	783	790	----------
1926	21,312	4,379	93,325	27,707	32,123	66,227	2.38	41.6	1,566	14.8	97	100	91	795	807	----------
1927	21,191	4,491	95,172	28,600	33,356	68,520	2.51	44.5	1,685	15.7	101	106	88	800	801	----------
1928	21,223	4,516	95,843	30,367	32,814	69,899	2.52	46.1	1,756	16.0	97	104	91	795	793	----------
1929	21,618	4,579	98,988	33,347	33,808	73,998	2.53	45.2	1,838	16.3	97	99	92	813	800	----------
1930	22,218	4,508	100,158	34,497	33,974	75,318	2.21	34.5	1,607	17.8	89	80	83	814	808	----------
1931	23,108	4,459	103,029	34,614	35,468	77,058	1.69	24.8	1,277	20.1	77	66	67	831	826	----------
1932	24,105	4,307	103,810	33,501	36,095	76,624	1.28	17.9	986	20.8	68	56	58	832	820	----------
1933	25,062	4,180	104,762	33,705	36,524	77,302	1.30	18.8	1,004	18.9	70	59	64	834	803	869
1934	25,198	4,033	101,621	33,869	33,867	74,817	1.55	22.7	1,146	18.2	75	66	75	804	803	675
1935	24,187	4,184	101,205	35,647	32,564	75,188	1.74	28.1	1,310	18.5	81	80	88	795	790	244
1936	23,727	4,316	102,410	38,777	31,904	77,415	1.93	32.2	1,478	17.7	87	91	92	800	782	82
1937	23,340	4,366	101,908	40,470	30,644	77,671	1.97	33.3	1,525	17.3	87	89	93	791	787	104
1938	23,215	4,558	105,807	42,657	32,728	81,834	1.72	26.3	1,388	18.0	81	75	78	815	785	2,916
1939	23,273	4,589	106,792	43,801	32,987	83,005	1.68	23.9	1,346	17.2	80	71	77	816	813	515
1940	23,671	4,622	109,412	47,152	32,965	86,226	1.82	28.0	1,521	18.2	84	84	81	828	807	397
1941	24,288	4,738	115,088	52,062	33,967	91,977	2.19	34.2	1,900	17.1	94	96	93	863	791	238
1942	25,027	4,736	118,533	59,076	31,080	96,018	2.58	39.6	2,330	15.1	97	98	105	879	821	----------
1943	25,451	4,598	117,017	59,656	29,871	95,266	3.12	49.9	2,785	14.5	[9] 109	[9] 111	113	856	740	----------
1944	25,597	4,572	117,023	63,680	26,026	95,456	3.21	50.3	2,915	14.4	[9] 119	[9] 115	108	846	753	----------
1945	25,033	4,787	119,828	68,929	23,868	98,373	3.19	50.3	3,021	14.1	[9] 113	[9] 119	109	856	777	----------
1946	24,089	4,886	117,697	69,619	21,379	96,350	3.99	64.3	3,709	15.1	[9] 120	[9] 127	113	832	775	----------
1947	23,329	5,007	116,814	70,559	20,952	96,418	4.27	71.8	4,013	13.5	102	108	115	810	758	----------
1948	22,336	5,044	112,671	69,010	19,712	93,294	4.88	79.9	4,389	14.5	107	109	110	768	714	----------
1949	22,024	5,272	116,103	73,290	19,949	97,473	3.95	61.6	3,748	13.4	92	89	100	778	724	2,541
1950	21,944	5,314	116,602	74,205	20,208	98,348	3.89	62.0	3,719	13.1	89	88	101	769	731	3,666
1951	21,616	5,313	114,841	74,172	18,715	96,691	4.58	71.1	4,250	13.0	97	93	107	744	707	13
1952	21,615	5,329	115,197	76,936	17,201	97,788	4.85	74.9	4,566	14.0	102	99	100	734	694	348
1953	22,234	5,449	121,149	83,992	16,808	104,292	4.31	66.4	4,373	13.9	93	89	92	759	688	9,981
1954 [10]	22,406	5,512	123,502	87,286	16,509	107,086	3.96	58.3	4,131	13.8	85	78	89	760	700	9,084

[1] Average number during year, heifers that have not freshened excluded.

[2] Excludes milk sucked by calves and milk produced by cows not on farms.

[3] For 1950 and earlier years includes also cash receipts from farm-churned butter sold. Excludes production payments, October 1943–June 1946.

[4] Based on cash receipts from dairy farming, excluding production payments, 1943–46, and total cash receipts from farm marketings of livestock, their products, and crops, excluding Government payments.

[5] 12-month simple averages of milk and butterfat prices as percentages of annual parity prices. Parity prices computed using formula specified in Agricultural Act of 1949 and revised index numbers. This formula became effective Jan. 1, 1950; data for earlier years are shown only for comparative purposes.

[6] Published in Agricultural Prices as "parity ratio" (1910–14 equals 100).

[7] Per capita production computed on basis of total population July 1; per capita consumption computed for civilian population, adjusted for under-enumeration.

[8] Whole milk equivalent of butter, cheese, and evaporated milk.

[9] Includes production payments.

[10] Preliminary.

TABLE 2.—*Utilization of milk for fluid purposes and for specified manufactured products as a percentage of total milk production, United States, averages 1925–29, 1935–39, and 1945–49, annual 1950–54*

[Percent]

Item	Average			1950	1951	1952	1953	1954 [1]
	1925–29	1935–39	1945–49					
Fluid milk and cream [2]	41.3	40.7	45.6	45.8	47.5	48.1	46.2	46.2
Butter:								
Creamery, net	31.6	32.4	22.1	23.7	20.9	20.4	23.0	23.2
Farm	12.4	9.2	5.2	4.4	4.3	3.9	3.6	3.4
Total butter	44.0	41.6	27.3	28.1	25.2	24.3	26.6	26.6
Cheese:								
American	3.9	4.9	7.5	7.6	7.6	7.4	8.4	8.3
Other	1.0	1.4	2.1	2.4	2.4	2.7	2.6	2.6
Total, cheese	4.9	6.3	9.6	10.0	10.0	10.1	11.0	10.9
Evaporated milk	2.8	4.1	5.9	5.3	5.4	5.3	4.5	4.4
Condensed milk	.7	.5	.7	.7	.7	.7	.6	.6
Dry whole milk	.1	.2	1.1	.8	.9	.7	.7	.6
Frozen dairy products, net	2.9	3.0	5.9	5.9	6.1	6.5	6.4	6.2
Fed to calves	2.9	2.6	2.7	2.8	3.0	2.9	2.7	2.7
Other [3]	.4	1.0	1.2	.6	1.2	1.4	1.3	1.8
Total (all items) less butter, fluid milk and cream	14.7	17.7	27.1	26.1	27.3	27.6	27.2	27.2
Total, all items	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Preliminary.
[2] Farm and nonfarm fluid consumption.
[3] Includes dry cream, malted milk, dry part-skim milk, dry ice-cream mix, and cottage cheese; also residual, including miscellaneous minor uses; imports, exports, and year-end carryover of milk and cream, as well as any inaccuracies of independently determined production and use estimates.

TABLE 3.—*Per capita consumption of major dairy products, 1910–54* [1]

[Pounds]

Year	Milk fat	Solids, not fat	Fluid milk and cream [2]	Cheese [3]		Evaporated milk	Condensed milk [4]	Dry whole milk	Nonfat dry milk solids	Ice cream [5]	Butter [5]
				American	Other						
1910			315	2.7	1.5	1.5	4.3	0.01	(6)	1.9	18.1
1911			301	2.5	1.4	1.7	4.6	.01	(6)	2.3	18.4
1912			355	2.4	1.4	1.9	5.0	.02	(6)	2.6	16.3
1913			342	2.6	1.6	2.4	5.5	.03	(6)	3.0	16.2
1914			321	2.6	1.5	2.9	5.9	.04	(6)	3.4	16.7
1915			318	2.5	1.6	3.3	6.1	.04	(6)	3.8	17.0
1916			315	2.4	1.4	3.5	5.9	.04	(6)	4.3	17.1
1917			328	2.4	1.3	3.8	5.5	.04	(6)	4.8	15.5
1918			361	2.8	1.1	4.7	5.4	.04	(6)	6.3	13.9
1919			335	2.8	1.4	6.3	3.4	.08	(6)	6.8	15.0
1920			348	2.8	1.2	7.1	1.4	.07	0.2	7.5	14.6
1921			346	2.8	1.3	7.7	2.1	(7)	.2	7.5	16.0
1922			342	2.8	1.4	8.2	2.5	.02	.2	8.0	16.9
1923			328	3.0	1.4	8.8	2.5	.06	.4	8.9	17.6
1924	30.7	37.2	336	3.2	1.3	9.4	2.2	.05	.4	8.7	17.6
1925	30.9	37.3	337	3.3	1.3	9.0	2.5	.07	.4	9.6	17.8
1926	31.6	37.6	338	3.2	1.4	9.5	2.2	.09	.5	9.4	18.1
1927	31.4	37.4	336	3.1	1.4	9.3	2.2	.10	.7	9.8	18.0
1928	31.1	37.7	337	2.9	1.5	10.1	1.9	.08	.8	9.8	17.3
1929	31.4	38.7	340	3.2	1.4	11.0	2.4	.10	1.1	10.6	17.3
1930	31.7	38.4	337	3.1	1.5	11.1	2.3	.09	1.3	9.6	17.3
1931	32.4	38.1	335	3.1	1.4	11.4	1.9	.06	1.4	8.5	18.0
1932	32.2	38.3	339	3.0	1.4	12.2	1.6	.07	1.4	6.2	18.2
1933	31.5	38.3	337	3.1	1.4	12.2	1.4	.09	1.4	6.0	17.9
1934	31.6	37.7	322	3.4	1.4	13.3	1.4	.12	1.5	7.0	18.3
1935	31.2	38.6	326	3.7	1.5	14.5	1.5	.13	1.6	8.0	17.3
1936	30.8	39.2	330	3.8	1.6	13.9	1.7	.14	1.7	9.4	16.6
1937	31.0	39.8	331	3.9	1.6	14.8	1.7	.11	1.9	10.5	16.5
1938	31.0	40.0	329	4.2	1.6	15.4	1.6	.11	2.1	10.2	16.4
1939	32.1	40.4	332	4.2	1.6	16.1	1.5	.13	2.1	10.8	17.2
1940	32.0	40.8	331	4.3	1.6	17.3	1.8	.14	2.2	11.2	16.7
1941	31.6	41.6	334	4.3	1.5	16.6	1.7	.16	2.4	13.4	15.8
1942	32.8	44.3	354	4.7	1.6	16.3	1.9	.20	2.5	15.6	15.7
1943	29.7	45.8	371	3.0	1.9	16.9	1.7	.38	2.1	12.9	11.7
1944	30.3	46.0	381	3.0	1.8	13.6	1.9	.34	1.5	14.1	11.8
1945	31.2	48.9	399	4.7	1.9	16.1	1.9	.37	1.9	15.5	10.8
1946	31.0	50.3	389	4.4	2.2	16.8	1.5	.51	3.2	22.8	10.4
1947	30.3	47.8	369	5.1	1.7	17.9	2.1	.45	2.9	19.8	11.1
1948	28.5	46.0	355	5.1	1.7	18.1	1.7	.29	3.3	18.2	9.9
1949	28.7	46.1	352	5.3	1.9	17.6	1.9	.25	3.2	17.4	10.4
1950	29.0	46.5	349	5.4	2.2	17.9	1.9	.28	3.6	17.0	10.6
1951	28.0	46.7	352	5.0	2.1	16.0	2.0	.27	4.2	17.1	9.5
1952	27.3	47.8	352	5.3	2.2	15.5	1.9	.45	4.6	17.6	8.6
1953	26.7	47.2	349	5.0	2.4	15.2	2.0	.25	4.1	17.7	8.5
1954 [8]	27.1	47.3	349	5.3	2.3	14.7	2.1	.17	4.2	17.0	9.0

[1] Civilian consumption only, 1941–54.
[2] Includes cream in terms of whole milk equivalent.
[3] Excludes full-skim American cheese and cottage, pot and bakers' cheese.
[4] Total unskimmed, case and bulk goods.
[5] Product weight.
[6] Not available.
[7] Less than 0.005 pound.
[8] Preliminary.

TABLE 4.—*Production of milk on farms, by regions, 1930–54*

Year	North Atlantic	East North Central	West North Central	South Atlantic	South Central	Western	United States
	Million pounds						
1930	15,948	26,919	27,185	5,726	13,183	11,197	100,158
1931	16,414	27,612	27,829	6,020	13,854	11,300	103,029
1932	16,276	27,550	28,090	6,137	14,450	11,307	103,810
1933	16,194	27,608	29,046	6,176	14,439	11,299	104,762
1934	15,948	27,313	26,806	6,209	14,004	11,341	101,621
1935	16,072	27,456	26,074	6,242	14,049	11,312	101,205
1936	16,418	28,279	25,854	6,262	14,088	11,509	102,410
1937	16,517	28,099	24,950	6,350	14,518	11,474	101,908
1938	16,629	29,197	26,549	6,438	15,181	11,813	105,807
1939	16,681	29,538	26,857	6,560	14,947	12,209	106,792
1940	17,351	30,621	27,678	6,597	14,515	12,650	109,412
1941	17,832	32,404	29,266	6,900	15,480	13,206	115,088
1942	18,244	33,743	29,978	7,080	16,036	13,452	118,533
1943	17,678	32,984	29,776	7,162	15,968	13,449	117,017
1944	18,013	33,309	28,573	7,318	16,122	13,688	117,023
1945	18,716	35,328	28,465	7,552	16,059	13,708	119,828
1946	18,012	34,939	28,317	7,553	15,360	13,516	117,697
1947	18,563	34,692	27,443	7,667	14,978	13,471	116,814
1948	18,132	33,401	26,006	7,698	14,416	13,018	112,671
1949	19,503	34,739	26,218	7,986	14,696	12,961	116,103
1950	19,719	34,405	26,209	8,139	14,925	13,145	116,602
1951	19,584	34,126	25,687	8,102	14,450	12,892	114,841
1952	19,938	34,653	25,234	8,171	14,230	12,891	115,117
1953	20,867	36,218	26,509	8,556	15,116	13,883	121,149
1954 [1]	21,278	36,955	26,807	8,702	15,223	14,537	123,502
	Percentage of United States production						
1930	15.9	26.9	27.1	5.7	13.2	11.2	100.0
1935	15.9	27.1	25.8	6.1	13.9	11.2	100.0
1940	15.8	28.0	25.3	6.0	13.3	11.6	100.0
1945	15.6	29.5	23.8	6.3	13.4	11.4	100.0
1950	16.9	29.5	22.5	7.0	12.8	11.3	100.0
1951	17.0	29.7	22.4	7.1	12.6	11.2	100.0
1952	17.3	30.1	21.9	7.1	12.4	11.2	100.0
1953	17.2	29.9	21.9	7.1	12.5	11.4	100.0
1954 [1]	17.2	29.9	21.7	7.1	12.3	11.8	100.0

[1] Preliminary.

TABLE 5.—*Creamery butter (including whey butter): Production by regions, 1930–54*

Year	North Atlantic	East North Central	West North Central	South Atlantic	South Central	Western	United States [1]
	Million pounds						
1930	29.3	455.2	810.5	11.4	99.3	220.1	1,625.9
1931	28.6	475.0	840.5	11.7	111.9	226.6	1,694.2
1932	27.5	484.0	844.5	13.9	130.8	224.7	1,725.4
1933	32.8	475.9	904.7	14.8	139.1	227.8	1,795.0
1934	34.3	477.8	862.2	13.6	124.0	216.0	1,727.8
1935	35.2	475.9	814.4	14.3	123.9	207.7	1,671.5
1936	33.1	477.3	805.3	14.1	124.4	211.8	1,666.1
1937	35.5	480.5	776.4	16.2	136.8	216.9	1,662.4
1938	33.7	512.4	856.1	18.5	153.3	224.3	1,798.4
1939	34.4	494.7	868.4	16.9	143.2	224.1	1,781.7
1940	40.9	510.5	899.8	16.5	137.2	231.9	1,836.8
1941	36.5	482.7	953.2	16.5	155.0	228.4	1,872.2
1942	46.1	446.4	911.0	15.5	141.7	203.4	1,764.1
1943	41.0	409.5	882.5	15.6	139.5	185.7	1,673.8
1944	42.2	372.1	769.1	15.5	126.4	163.2	1,488.5
1945	38.0	336.1	732.0	15.5	119.0	123.2	1,363.7
1946	26.5	274.6	661.4	13.9	94.2	100.6	1,171.3
1947	31.1	314.5	731.5	15.2	98.9	138.0	1,329.1
1948	25.5	284.5	673.9	14.3	90.5	121.6	1,210.3
1949	44.5	412.8	713.0	16.5	94.2	131.1	1,412.1
1950	42.5	384.5	721.6	16.1	90.9	130.8	1,386.4
1951	27.5	318.2	670.0	12.6	70.5	104.2	1,203.0
1952	31.9	335.6	653.3	12.3	64.3	90.7	1,188.2
1953	47.9	421.3	726.3	15.5	79.6	121.3	1,411.9
1954 [2]	50.4	435.4	727.3	12.9	76.5	146.6	1,449.1
	Percentage of United States production						
1930	1.8	28.0	49.9	0.7	6.1	13.5	100.0
1935	2.1	28.5	48.7	.9	7.4	12.4	100.0
1940	2.2	27.8	49.0	.9	7.5	12.6	100.0
1945	2.8	24.7	53.7	1.1	8.7	9.0	100.0
1950	3.1	27.7	52.0	1.2	6.6	9.4	100.0
1951	2.3	26.4	55.7	1.0	5.9	8.7	100.0
1952	2.7	28.3	55.0	1.0	5.4	7.6	100.0
1953	3.4	29.8	51.5	1.1	5.6	8.6	100.0
1954 [2]	3.5	30.0	50.2	.9	5.3	10.1	100.0

[1] Computed from unrounded numbers.
[2] Preliminary.

TABLE 6.—*Milk fat: Supply and distribution, United States, 1924–54* [1]

Year	Supply				Distribution										Production per capita	Percentage of total production utilized for human use
									Department of Agriculture				Domestic disappearance			
														Civilian		
	Production	Beginning commercial stocks	Imports	Total supply	Ending commercial stocks	Commercial exports and shipments	Fed to calves	Other uses	Beginning stocks	Ending stocks	Deliveries	Net purchases	Military [2]	Total	Per capita	
	Million pounds	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Pounds*	*Pounds*	*Percent*
1924	3,668	59	50	3,777	84	31	107	2						3,553	30.7	31.7	97.1
1925	3,717	84	45	3,846	80	24	109	2						3,631	30.9	31.6	97.1
1926	3,819	80	51	3,950	59	20	112	2						3,757	31.6	32.1	97.1
1927	3,885	59	50	3,994	72	18	114	2						3,788	31.4	32.2	97.1
1928	3,900	72	43	4,015	78	20	116	2						3,799	31.1	31.9	97.0
1929	4,007	78	39	4,124	113	19	118	2						3,872	31.4	32.4	97.1
1930	4,040	113	30	4,183	96	17	117	2						3,951	31.7	32.4	97.1
1931	4,147	[3] 103	22	4,272	61	16	118							4,077	32.4	33.0	97.2
1932	4,177	61	19	4,257	55	13	112							4,077	32.2	33.0	97.3
1933	4,208	55	16	4,279	143	11	113							4,012	31.5	33.1	97.3
1934	4,094	143	16	4,253	86	12	106							4,049	31.6	32.0	97.4
1935	4,095	86	34	4,215	75	13	106							4,021	31.2	31.7	97.4
1936	4,132	75	28	4,235	111	11	109							4,004	30.8	31.8	97.4
1937	4,116	111	29	4,256	84	12	108							4,052	31.0	31.5	97.4
1938	4,271	84	19	4,374	167	14	113							4,080	31.0	32.5	97.4
1939	4,310	167	19	4,496	99	16	117							4,264	32.1	32.5	97.3
1940	4,426	99	11	4,536	95	28	119							4,294	32.0	33.0	97.3
1941	4,650	95	9	4,754	180	36	124			25	69	94	97	4,223	31.6	34.4	97.3
1942	4,779	180	24	4,983	70	19	131		25	71	140	186	200	4,377	32.8	35.0	97.3
1943	4,711	70	10	4,791	82	12	130		71	172	183	284	402	3,881	29.7	34.0	97.2
1944	4,701	82	4	4,787	64	14	130		172	36	228	92	539	3,948	30.3	33.5	97.2
1945	4,796	64	6	4,866	65	26	131		36	85	158	207	356	4,081	31.2	33.8	97.3
1946	4,717	65	12	4,794	98	44	128		85	6	168	89	87	4,348	31.0	32.9	97.3
1947	4,691	98	6	4,795	93	130	127		6	1	23	18	51	4,376	30.3	32.1	97.3
1948	4,518	93	8	4,619	128	95	122		1	(4)	10	9	71	4,194	28.5	30.4	97.3
1949	4,631	[3] 129	10	4,770	105	89	125		(4)	94	3	97	54	4,300	28.7	30.6	97.3
1950	4,646	105	18	4,769	109	43	130		94	63	36	5	62	4,420	29.0	30.2	97.2
1951	4,549	109	19	4,677	121	56	136		63	3	31	−29	111	4,282	28.0	29.1	97.0
1952	4,540	121	26	4,687	173	32	132		3	8	(4)	5	103	4,242	27.3	28.5	97.1
1953	4,707	173	19	4,899	114	33	129		8	281	27	300	99	4,224	26.7	29.1	97.3
1954 [5]	4,791	114	17	4,922	111	37	130		281	392	49	160	109	4,375	27.1	29.1	97.3

[1] Quantities produced (col. 1) and fed to calves (col. 7) determined by applying annual fat test to reported quantities of milk. Quantities in remaining columns except civilian disappearance were determined by applying percentages of milk fat in each product to amount of product. Civilian disappearance computed from data on production, stocks, trade, military purchases, quantities fed to calves and uses in other outlets.

[2] Includes quantities used by military in civilian feeding programs abroad.

[3] Cold-storage holdings of cream included beginning Jan. 1, 1931; condensed milk (bulk) beginning Jan. 1, 1949.

[4] Less than 500,000 pounds.

[5] Preliminary.

amount of product. Civilian disappearance computed from data on production, stocks, trade, military purchases, quantities fed to calves and uses in other outlets.

(Bulk) beginning Jan. 1, 1949.
[4] Less than 500,000 pounds.
[5] Preliminary.

TABLE 7.— *Milk solids-not-fat: Supply and distribution, United States, 1924–54* [1]

Year	Supply				Distribution									Production per capita	Percentage of total production utilized for human use
								Department of Agriculture				Domestic disappearance			
													Civilian		
	Production	Beginning commercial stocks	Imports	Total supply	Fed to animals or wasted	Ending commercial stocks	Commercial exports and shipments	Beginning stocks	Ending stocks	Deliveries	Net purchases	Military [2]	Total	Per capita		
	Mil. lb.	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Pounds*	*Pounds*	*Percent*
1924	8,429	53	26	8,508	4,111	43	50						4,304	37.2	72.9	51.2
1925	8,545	43	32	8,620	4,144	53	40						4,383	37.3	72.7	51.5
1926	8,766	53	36	8,855	4,309	41	31						4,474	37.6	73.7	50.8
1927	8,912	41	34	8,987	4,392	52	29						4,514	37.4	73.8	50.7
1928	8,943	52	33	9,028	4,330	60	31						4,607	37.7	73.2	51.6
1929	9,192	60	29	9,281	4,398	73	31						4,779	38.7	74.4	52.2
1930	9,269	[3] 90	23	9,382	4,470	91	29						4,792	38.4	74.3	51.8
1931	9,507	[3] 92	19	9,618	4,728	66	31						4,793	38.1	75.6	50.3
1932	9,568	66	16	9,650	4,729	54	18						4,849	38.3	75.6	50.6
1933	9,645	54	14	9,713	4,734	88	15						4,876	38.3	75.8	50.9
1934	9,362	88	14	9,464	4,535	83	17						4,829	37.7	73.1	51.6
1935	9,324	83	16	9,423	4,372	55	17						4,979	38.6	72.3	53.1
1936	9,424	55	40	9,519	4,307	108	16						5,088	39.2	72.6	54.3
1937	9,379	108	20	9,507	4,201	89	19						5,198	39.8	71.5	55.2
1938	9,730	89	16	9,835	4,439	108	24						5,264	40.0	73.9	54.4
1939	9,809	108	20	9,937	4,473	81	22						5,361	40.4	73.9	54.4
1940	10,036	81	10	10,127	4,502	105	53						5,467	40.8	74.9	55.1
1941	10,538	105	6	10,649	4,607	136	69		35	148	183	92	5,562	41.6	77.9	56.3
1942	10,839	136	7	10,982	4,264	83	29	35	225	294	484	217	5,905	44.3	79.3	60.7
1943	10,667	83	7	10,757	3,933	88	17	225	155	415	345	393	5,981	45.8	77.0	63.1
1944	10,631	88	3	10,722	3,533	100	23	155	148	446	439	633	5,994	46.0	75.8	66.8
1945	10,857	100	3	10,960	3,382	64	55	148	220	390	462	596	6,401	48.9	76.6	68.8
1946	10,683	64	6	10,753	3,065	116	113	220	35	458	273	129	7,057	50.3	74.5	71.3
1947	10,630	116	3	10,749	3,144	102	303	35	17	133	115	173	6,912	47.8	72.8	70.4
1948	10,230	102	12	10,344	2,941	184	213	17	16	107	106	129	6,771	46.0	68.8	71.3
1949	10,530	[3] 185	15	10,730	2,999	155	204	16	249	58	291	184	6,897	46.1	69.6	71.5
1950	10,557	155	20	10,732	3,004	117	124	249	262	319	332	73	7,082	46.5	68.6	71.5
1951	10,381	117	24	10,522	2,910	166	164	262	50	192	20	148	7,154	46.7	66.3	72.0
1952	10,404	166	55	10,625	2,627	280	118	50	37	22	9	158	7,433	47.8	65.4	74.8
1953	10,930	280	21	11,231	2,683	187	104	37	523	162	649	137	7,472	47.2	67.5	75.5
1954 [4]	11,133	187	16	11,336	3,258	153	100	523	370	233	80	116	7,629	47.3	67.6	70.7

[1] Production determined by applying percentage of solids-not-fat in whole milk to quantity of milk produced. Total consumption by civilians determined from percentage of solids-not-fat in individual dairy products consumed per capita and number of people. Quantities in remaining columns except "fed to animals or wasted" were determined by applying percentages of solids-not-fat in each product to amount of product. The quantity "fed to animals or wasted" is the difference between total supply and total distribution among consumption, exports, and ending stocks.

[2] Includes quantities used by military in civilian feeding programs abroad.

[3] Nonfat dry milk solids included beginning Jan. 1, 1930; cold-storage holdings of cream beginning Jan. 1, 1931, and condensed milk (bulk) beginning Jan. 1, 1949.

[4] Preliminary.

TABLE 8.—*Dairy products: Disappearance in major outlets, year beginning April 1952–54 (milk equivalent)*

[Million pounds]

Item	1952–53	1953–54	1954–55	Difference between 1954–55 and 1953–54
Civilian disappearance:				
Butter	26,355	27,422	30,018	2,596
American cheese	8,180	7,930	9,030	1,100
Other cheese	3,482	3,575	3,618	43
Evaporated milk	5,151	5,104	5,045	−59
Condensed milk	681	736	778	42
Dry whole milk	517	288	220	−68
Ice cream	7,317	7,480	7,385	−95
Fluid milk, cream and other [1]	56,108	56,825	59,286	2,461
Total	107,791	109,360	115,380	6,020
Production	117,450	122,746	123,252	506
Beginning commercial stocks	1,962	3,257	2,362	−895
Imports	828	525	512	−13
Total supply	120,240	126,528	126,126	−402
Ending commercial stocks	3,257	2,362	2,743	381
Commercial exports and shipments	918	877	937	60
Department of Agriculture:				
Beginning stocks	80	2,410	9,331	6,921
Ending stocks	2,410	9,331	8,465	−866
Deliveries and shipments	10	942	1,805	863
Net purchases	2,370	7,863	939	−6,924
Fed to calves	3,349	3,337	3,400	63
Military	2,555	2,729	2,727	−2
Civilian disappearance	107,791	109,360	115,380	6,020

[1] Other includes dry cream, malted milk, dry part skim milk, dry ice cream mix and cottage cheese; also residual, including miscellaneous minor uses and any inaccuracies of independently determined production and use items.

Mr. ABERNETHY. I have one or two other questions. I think there are 11 States, or thereabouts, which have price-fixing boards. Can you tell us whether or not when the price supports were dropped from 90 percent to 75 percent, any of those boards ordered reductions in the prices that were paid at the various levels?

Mr. KRIESEL. I do not have the tabulation of that in mind or before me, but it was my observation at the time, that the consideration of price levels in those areas was not as systematic as was the case for Federal orders where prices were tied more directly to manufacturing milk prices.

I think that eventually in a number of States there were some decreases in milk prices.

Mr. ABERNETHY. We mentioned New York a moment ago, and they have a milk marketing order around New York City, a producing area; the order fixes the price of milk under a formula that the handler must pay the farmer but they do not fix the price that the consumers must pay the handler.

When you supply the data that was requested earlier today, will you make certain to advise the committee, whether or not there was any change in the price the consumer was required to pay the handler, and the price that the handler was required to pay the farmer. I think it might also be well that you give us some comparisons in other areas where the milk marketing orders are in effect. Furthermore, I think it would be helpful if you would supply some information showing such changes if any, as were made in the States where they have price-fixing boards.

Mr. KRIESEL. All right.

(The information is as follows:)

Blend prices received by farmers and prices paid by dealers compared to retail prices in selected markets, marketing years 1953–54 and 1954–55

Period	Blend price, per hundredweight	Milk testing 3.7–4.0 percent fat			Difference between dealers' buying price and retail price—		Blend price, per hundredweight [1]	Milk testing 3.7–4.3 percent fat			Difference between dealers' buying price and retail price—	
		Price per quart paid by dealers for milk of fat test commonly sold at retail	Retail price per single quart					Price per quart paid by dealers for milk of fat test commonly sold at retail [1]	Retail price per single quart			
			Delivered to homes	From stores	Delivered to homes, per quart	From stores, per quart			Delivered to homes	From stores	Delivered to homes, per quart	From stores, per quart
	Augusta and Portland, Maine [2]						Concord, N. H.[2]					
	Dollars	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Dollars*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
April to September 1953		12.7	22.4	22.4	9.7	9.7		12.1	22.2	22.2	10.1	10.1
October 1953 to March 1954		13.8	23.8	23.8	10.0	10.0		13.3	23.6	23.6	10.3	10.3
April to September 1954		12.4	23.0	23.0	10.6	10.6		12.0	22.3	22.3	10.3	10.3
October 1954 to March 1955		13.6	24.3	24.3	10.7	10.7		13.6	23.9	23.9	10.3	10.3
April 1953 to March 1954		13.2	23.1	23.1	9.9	9.9		12.7	22.9	22.9	10.2	10.2
April 1954 to March 1955		13.0	23.7	23.7	10.7	10.7		12.8	23.1	23.1	10.3	10.3
	Burlington, Vt. (3.7 percent fat)[2]						Boston, Mass. (percentage fat: blend, 3.7; fluid, 3.7–3.9)[2]					
April to September 1953		9.1	19.7		10.6		4.93	11.7	22.4	21.6	10.7	9.9
October 1953 to March 1954		10.4	21.3	21.3	10.9	10.9	5.59	13.0	24.0	23.2	11.0	10.2
April to September 1954		8.7	19.2	19.2	10.5	10.5	4.86	11.7	22.9	22.2	11.2	10.5
October 1954 to March 1955		10.7	21.7	21.7	11.0	11.0	5.73	13.3	24.7	23.9	11.4	10.6
April 1953 to March 1954		9.8	20.5	[4] 21.3	10.7	[4] 10.9	5.26	12.3	23.2	22.4	10.9	10.1
April 1954 to March 1955		9.7	20.4	20.4	10.7	10.7	5.29	12.5	23.8	23.0	11.3	10.5
	Providence, R. I. (percentage fat: blend, 3.5; fluid, 3.7)[2]						Hartford, Conn. (percentage fat: blend, 3.5; fluid, 3.6–3.8)[2]					
April to September 1953	5.73	13.2	23.2	22.2	10.0	9.0	5.42	13.6	24.0	23.8	10.4	10.2
October 1953 to March 1954	6.15	14.0	24.2	23.2	10.2	9.2	[3] 5.94	14.0	24.8	23.8	10.8	9.8
April to September 1954	[3] 5.77	13.4	24.0	23.0	10.6	9.6		13.0	24.0	23.0	11.0	10.0
October 1954 to March 1955	[3] 6.35	14.4	25.3	24.3	10.9	9.9		13.0	24.0	23.0	11.0	10.0
April 1953 to March 1954	5.94	13.6	23.7	22.7	10.1	9.1	[4] 5.63	13.8	24.4	23.8	10.6	10.0
April 1954 to March 1955	[4] 6.06	13.9	24.7	23.7	10.8	9.8		13.0	24.0	23.0	11.0	10.0

Period	New Haven, Conn. (Percentage fat: Blend, 3.5; fluid, 3.7–3.85)[5]						Binghamton, N. Y. (3.8 percent fat)					
April to September 1953	5.42	13.5	24.3	24.7	10.8	11.2	.....	9.1	22.3	21.7	13.2	12.6
October 1953 to March 1954	[6] 5.94	14.1	25.5	25.7	11.4	11.6	.....	10.1	23.0	23.0	12.9	12.9
April to September 1954	.....	13.1	24.5	25.0	11.4	11.9	.....	8.5	22.0	22.0	13.5	13.5
October 1954 to March 1955	.....	13.1	24.5	25.0	11.4	11.9	.....	9.7	23.1	23.1	13.4	13.4
April 1953 to March 1954	[6] 5.63	13.8	24.9	25.2	11.1	11.4	.....	9.6	22.7	22.3	13.1	12.7
April 1954 to March 1955	.....	13.1	24.5	25.0	11.4	11.9	.....	9.1	22.5	22.5	13.4	13.4

Period	Blend price, per hundredweight (3.5 percent fat)[7]	Milk testing 3.5 percent fat			Difference between dealers' buying price and retail price		Blend price, per hundredweight (4 percent fat)	Milk testing 3.7 percent fat			Difference between dealers' buying price and retail price	
		Price per quart paid by dealers for milk of fat test commonly sold at retail[8]	Retail price per single quart					Price per quart paid by dealers for milk of fat test commonly sold at retail	Retail price per single quart			
			Delivered to homes[8]	From stores[9]	Delivered to homes, per quart	From stores, per quart			Delivered to homes[8]	From stores[9]	Delivered to homes, per quart	From stores, per quart
	New York, N. Y.[2 5]						Philadelphia, Pa.[2 3]					
	Dollars	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Dollars*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
April to September 1953	3.98	12.2	24.5	21.9	12.3	9.7	5.09	12.0	22.8	21.8	10.8	9.8
October 1953 to March 1954	4.39	13.5	26.0	23.2	12.5	9.7	5.40	12.4	23.5	22.5	11.1	10.1
April to September 1954	3.68	12.0	24.8	22.0	12.8	10.0	4.87	11.4	22.5	21.5	11.1	10.1
October 1954 to March 1955	4.25	13.4	26.2	23.3	12.8	9.9	5.24	12.4	23.8	22.5	11.4	10.1
April 1953 to March 1954	4.18	12.9	25.3	22.6	12.4	9.7	5.25	12.2	23.1	22.1	10.9	9.9
April 1954 to March 1955	3.97	12.7	25.5	22.7	12.8	10.0	5.05	11.9	23.1	22.0	11.2	10.1
	Pittsburgh, Pa. (Percentage fat: Blend, 3.5; fluid, 3.5–3.7)[2]						Columbus, Ohio (Percentage fat: Blend, 3.5; fluid, 3.5–3.8)[3]					
April to September 1953	4.53	12.6	24.2	23.7	11.6	11.1	4.36	10.1	18.3	17.0	8.2	6.9
October 1953 to March 1954	4.93	13.2	25.0	24.5	11.8	11.3	4.32	10.0	18.5	17.2	8.5	7.2
April to September 1954	4.15	12.3	24.1	23.6	11.8	11.3	3.89	9.3	18.0	17.2	8.7	7.9
October 1954 to March 1955	[6] 4.76	13.1	25.0	24.5	11.9	11.4	4.10	9.5	18.8	18.3	9.3	8.8
April 1953 to March 1954	4.73	12.9	24.6	24.1	11.7	11.2	4.34	10.0	18.4	17.1	8.4	7.1
April 1954 to March 1955	[6] 4.43	12.7	24.6	24.1	11.9	11.4	4.00	9.4	18.4	17.7	9.0	8.3

See footnotes at end of table, p. 157.

Blend prices received by farmers and prices paid by dealers compared to retail prices in selected markets, marketing years 1953–54 and 1954–55—Continued

Period	Blend price, per hundredweight (3.5 percent fat) [7]	Milk testing 3.5 percent fat			Difference between dealers' buying price and retail price		Blend price, per hundredweight (4 percent fat)	Milk testing 3.7 percent fat			Difference between dealers' buying price and retail price	
		Price per quart paid by dealers for milk of fat test commonly sold at retail [8]	Retail price per single quart					Price per quart paid by dealers for milk of fat test commonly sold at retail	Retail price per single quart			
			Delivered to homes [8]	From stores [9]	Delivered to homes, per quart	From stores, per quart			Delivered to homes [8]	From stores [9]	Delivered to homes, per quart	From stores, per quart
	Chicago, Ill. (Percentage fat: Blend, 3.5; fluid, 3.5–3.6) [3]						Madison, Wis. (3.5–3.55 percent fat)					
	Dollars	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Dollars*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
April to September 1953	3.79	8.8	24.5	19.6	15.7	10.8	----------	[6] 9.0	20.9	20.9	[6] 11.9	[6] 11.9
October 1953 to March 1954	3.75	8.7	24.7	18.7	16.0	10.0	----------	[6] 8.5	21.1	20.3	[6] 12.6	[6] 11.6
April to September 1954	3.32	7.8	24.2	18.6	16.4	10.8	----------	8.0	20.8	19.5	12.8	11.5
October 1954 to March 1955	[6] 3.56	8.2	25.0	19.8	16.8	11.6	----------	8.6	21.4	[6] 20.0	12.8	[6] 11.4
April 1953 to March 1954	3.77	8.8	24.6	19.1	15.8	10.3	----------	[4] 8.8	21.0	20.6	[4] 12.2	[4] 11.7
April 1954 to March 1955	[4] 3.43	8.0	24.6	19.2	16.6	11.2	----------	8.3	21.0	[4] 19.7	12.7	[4] 11.4
	Milwaukee, Wis. (Percentage fat: Blend, 3.5; fluid, 3.5–4.0) [3]						St. Paul, Minn. (Percentage fat: Blend, 3.5; fluid, 3.5) [3]					
April to September 1953	3.89	8.9	20.5	19.0	11.6	10.1	3.98	8.8	19.6	17.8	10.8	9.0
October 1953 to March 1954	3.82	8.6	19.3	17.8	10.7	9.2	3.93	8.7	18.8	17.3	10.1	8.6
April to September 1954	3.45	7.8	18.6	17.3	10.8	9.5	3.50	7.8	18.2	16.6	10.4	8.8
October 1954 to March 1955	3.64	8.2	19.6	18.1	11.4	9.9	3.59	8.0	19.0	17.0	11.0	9.0
April 1953 to March 1954	3.86	8.7	19.9	18.4	11.2	9.7	3.96	8.8	19.2	17.6	10.4	8.8
April 1954 to March 1955	3.55	8.0	19.1	17.7	11.1	9.7	3.54	7.9	18.6	16.8	10.7	8.9

Period	Blend price, per hundredweight	Milk testing 3.5 percent fat: Price per quart paid by dealers for milk of fat test commonly sold at retail [10]	Milk testing 3.5 percent fat: Retail price per single quart: Delivered to homes [9]	Milk testing 3.5 percent fat: Retail price per single quart: From stores [9]	Difference between dealers' buying price and retail price—: Delivered to homes, per quart	Difference between dealers' buying price and retail price—: From stores, per quart	Blend price, per hundredweight	Milk testing 3.7 percent fat: Price per quart paid by dealers for milk of fat test commonly sold at retail	Milk testing 3.7 percent fat: Retail price per single quart: Delivered to homes	Milk testing 3.7 percent fat: Retail price per single quart: From stores	Difference between dealers' buying price and retail price—: Delivered to homes, per quart	Difference between dealers' buying price and retail price—: From stores, per quart
	Winona, Minn.						Des Moines, Iowa					
	Dollars	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Dollars*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
April to September 1953		8.4	20.0		11.6			10.5	21.0	21.0	10.5	10.5
October 1953 to March 1954		8.2	20.0		11.8			10.6	21.0	21.0	10.4	10.4
April to September 1954		7.5	19.5		12.0			9.7	20.2	20.2	10.5	10.5
October 1954 to March 1955		8.1	20.0	19.0	11.9	10.9		10.1	20.0	20.0	9.9	9.9
April 1953 to March 1954		8.3	20.0		11.7			10.5	21.0	21.0	10.5	10.5
April 1954 to March 1955		7.8	19.8	[4] 18.8	12.0	[4] 10.9		9.9	20.1	20.1	10.2	10.2
	Omaha, Nebr. (Percentage fat: Blend, 3.8; fluid, 3.5–3.8)[2]						Washington, D. C. (Percentage fat: Blend, 3.5; fluid, 3.6–4.0)					
April to September 1953	4.50	10.3	21.0	20.0	10.7	9.7	5.36	14.8	24.3	22.9	9.5	8.1
October 1953 to March 1954	4.77	10.5	21.0	20.2	10.5	9.7	5.41	14.8	24.5	23.2	9.7	8.4
April to September 1954	4.19	9.7	20.2	[3] 19.4	10.5	[3] 9.8	5.05	14.5	24.2	23.0	9.7	8.5
October 1954 to March 1955	4.55	9.9	20.0	19.5	10.1	9.6	5.31	14.8	24.5	23.5	9.7	8.7
April 1953 to March 1954	4.64	10.4	21.0	20.1	10.6	9.7	5.39	14.8	24.4	23.0	9.6	8.2
April 1954 to March 1955	4.37	9.8	20.1	[4] 19.5	10.3	[4] 9.7	5.18	14.7	24.4	23.3	9.7	8.6
	Richmond, Va. (Percentage fat: Blend, 3.5; fluid, 3.7)[2]						Durham, N. C. (4.0 percent fat)[5]					
April to September 1953	5.70	14.3	24.5		10.2			[6] 13.3	25.5	25.5	[6] 12.2	[6] 12.2
October 1953 to March 1954	5.71	14.3	24.5		10.2			13.5	25.5	25.5	12.0	12.0
April to September 1954	5.18	13.6	24.2	[6] 23.2	10.6	[6] 9.7		13.4	25.1	25.1	11.7	11.7
October 1954 to March 1955	5.64	14.1	25.0	24.0	10.9	9.9		13.4	25.2	25.2	11.8	11.8
April 1953 to March 1954	5.71	14.3	24.5		10.2			[4] 13.4	25.5	25.5	[4] 12.1	[4] 12.1
April 1954 to March 1955	5.41	13.8	24.6	[4] 23.6	10.8	[4] 9.8		13.4	25.1	25.1	11.7	11.7
	Atlanta, Ga. (4.0 percent fat)						Miami, Fla. (4.0–4.4 percent fat)[2]					
April to September 1953		14.4	25.7	25.7	11.3	11.3		15.4	26.0	26.0	10.6	10.6
October 1953 to March 1954		14.3	25.5	25.5	11.2	11.2		15.4	26.0	26.0	10.6	10.6
April to September 1954		14.3	25.5	25.5	11.2	11.2		15.5	26.0	26.2	10.5	10.7
October 1954 to March 1955		14.3	25.5	25.5	11.2	11.2		15.5	26.0	26.0	10.5	10.5
April 1953 to March 1954		14.4	25.6	25.6	11.2	11.2		15.4	26.0	26.0	10.6	10.6
April 1954 to March 1955		14.3	25.5	25.5	11.2	11.2		15.5	26.0	26.1	10.5	10.6

See footnotes at end of table, p. 157.

Blend prices received by farmers and prices paid by dealers compared to retail prices in selected markets, marketing years 1953–54 and 1954–55—Continued

Period	Blend price, per hundredweight (3.8 percent fat)	Milk testing 3.7–3.8 percent fat			Difference between dealers' buying price and retail price—		Blend price, per hundredweight [1] (4.0 percent fat)[11]	Milk testing 3.5–4.0 percent fat			Difference between dealers' buying price and retail price—	
		Price per quart paid by dealers for milk of fat test commonly sold at retail	Retail price per single quart					Price per quart paid by dealers for milk of fat test commonly sold at retail [11]	Retail price per single quart			
			Delivered to homes	From stores	Delivered to homes, per quart	From stores, per quart			Delivered to homes[3]	From stores[3]	Delivered to homes, per quart	From stores, per quart
	Louisville, Ky.[3]						Memphis, Tenn.[3]					
	Dollars	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Dollars*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
April to September 1953	4.43	10.6	23.8	22.7	13.2	12.1	4.87	11.1	21.2	20.7	10.1	9.6
October 1953 to May 1954	4.09	10.6	23.0	22.0	12.4	11.4	5.33	11.6	22.7	22.2	11.1	10.6
April to September 1954	4.04	9.7	22.8	21.7	13.1	12.0	4.57	10.2	21.2	20.7	11.0	10.5
October 1954 to March 1955	4.34	10.0	22.8	21.7	12.8	11.7	5.19	11.4	21.3	20.8	9.9	9.4
April 1953 to March 1954	4.56	10.6	23.4	22.3	12.8	11.7	5.10	11.3	21.9	21.4	10.6	10.1
April 1954 to March 1955	4.19	9.9	22.8	21.7	12.9	11.8	4.88	10.8	21.3	20.8	10.5	10.0
	Birmingham, Ala. (3.7–4.2 percent fat)[3]						New Orleans, La. (Percentage fat: Blend, 4.0; fluid, 3.7–3.9)[3]					
April to September 1953		13.9	25.5	25.5	11.6	11.6	5.66	13.6	26.2	25.2	12.6	11.6
October 1953 to March 1954		13.6	24.8	24.8	11.2	11.2	5.66	13.4	26.5	26.0	13.1	12.6
April to September 1954		12.7	24.3	24.3	11.6	11.6	5.26	13.2	26.4	26.0	13.2	12.8
October 1954 to March 1955		13.3	25.0	25.0	11.7	11.7	5.27	13.3	26.5	25.6	13.2	12.3
April 1953 to March 1954		13.8	25.2	25.2	11.4	11.4	5.66	13.5	26.3	25.6	12.8	12.1
April 1954 to March 1955		13.0	24.7	24.7	11.7	11.7	5.26	13.2	26.4	25.8	13.2	12.6
	Dallas, Tex. (Percentage fat: Blend, 4.0; fluid, 3.64–4.0)[1]						Boise, Idaho. (3.5–3.8 percent fat)					
April to September 1953	5.22	11.9	23.7	23.3	11.8	11.4		10.0	19.7	19.7	9.7	9.7
October 1953 to March 1954	5.45	12.5	24.0	----------	11.5	----------		9.4	19.5	19.5	10.1	10.1
April to September 1954	4.71	11.0	23.3	----------	12.3	----------		9.0	19.5	19.7	10.5	10.7
October 1954 to March 1955	5.46	12.5	25.3	----------	12.8	----------		9.1	19.7	20.0	10.6	10.9
April 1953 to March 1954	5.33	12.2	23.8	[4] 23.2	11.6	[4] 11.1		9.7	19.6	19.6	9.9	9.9
April 1954 to March 1955	5.08	11.7	24.3	----------	12.6	----------		9.0	19.6	19.8	10.6	10.8

	Portland, Oreg. (3.5–3.8 percent fat) [2]					Los Angeles, Calif. (3.55 percent fat) [2]				
April to September 1953	12.8	22.0	22.0	9.2	9.2	11.7	22.3	21.0	10.6	9.3
October 1953 to March 1954	13.0	22.0	22.0	9.0	9.0	11.2	21.7	20.5	10.5	9.3
April to September 1954	12.3	21.7	21.7	9.4	9.4	10.8	21.2	20.0	10.4	9.2
October 1954 to March 1955	11.2	21.5	20.3	10.3	9.0	10.8	21.2	20.0	10.4	9.2
April 1953 to March 1954	12.9	22.0	22.0	9.1	9.1	11.5	22.0	20.8	10.5	9.3
April 1954 to March 1955	11.8	21.6	20.9	9.8	9.1	10.8	21.2	20.0	10.4	9.2

[1] Prices for Boston apply to 40-mile zone.

[2] Prices at all levels are established under a State milk-control law. For Portland, Oreg., authority for establishing minimum and resale prices was terminated as of Nov. 2, 1954.

[3] Minimum prices to producers established under a Federal milk-marketing order.

[4] Average for less than 12 months.

[5] Minimum prices to producers are established under a State milk-control law. For Durham, N. C., authority for establishing minimum prices became effective Apr. 30, 1953.

[6] Average for less than 6 months.

[7] Blend prices for New York apply to 201–210-mile zone; dealers' buying price, adjusted to f. o. b. city basis. Blend and dealers' buying prices for Chicago, 55–70-mile zone.

[8] 2-quart containers in Chicago, Milwaukee, Columbus, Omaha, and Los Angeles.

[9] In Chicago (for all months) and in Milwaukee (for some months), average of price in gallon containers and midpoint of price range for milk sold in 2-quart containers; in Milwaukee, for other months, 2-quart containers.

[10] In Winona, flat price.

[11] Prices for New Orleans apply to 61–70-mile zone.

NOTE.—All data for this table were compiled from the Fluid Milk and Cream Report, issued by the Agricultural Marketing Service. Where ranges were published for either prices or fat test, the midpoints were used. Dealers' buying prices shown in the second column under each market were adjusted to the basis of fat test of milk commonly sold at retail. In some instances this varies among months. The blend price, on the other hand, was for same fat test over the entire period. Per hundred-weight prices were converted to a per-quart basis, using 2.15 pounds as weight of a quart of milk. Prices in multiple-quart containers were used for several markets, as indicated in table. Nevertheless, the retail cost may not be adequately indicated since there has been a shift in volume, also, as between single quart and larger containers. Averages for the 2 respective marketing years were computed from monthly figures rather than from the separate pairs of 6-month averages. For those markets employing the Louisville plan, no subtraction from the blend price was made for the spring and likewise no addition was made in the fall.

(Discussion off the record.)

Mr. JOHNSON. Is there any other factor that should be shown there outside of increased profit and labor charge in those figures that you are going to supply?

Mr. KRIESEL. Important components of the cost in addition to labor would be materials used in processing and packaging. If those data are available, we will be glad to supply those to you.

(The information referred to follows:)

Average hourly earnings of people engaged in processing dairy products and index numbers of wholesale unit costs of other major items included in processing and distributing milk and dairy products [1]

Item and period	1950	1951	1952	1953	1954
Hourly earnings:					
Dairy products	$1.26	$1.37	$1.45	$1.55	[2] $1.61
Ice cream and ices	$1.30	$1.40	$1.47	$1.59	[2] $1.68
Wholesale prices of other items (1947–49=100):					
Container board	102.8	117.8	115.6	117.2	119.9
Glass container	112.8	121.8	125.0	134.4	141.1
Machinery and motive products	108.6	119.0	121.5	123.0	124.6
Gasoline	109.3	114.9	114.6	120.4	114.8
Fuel, power, and lighting materials	103.0	106.7	106.6	109.5	108.1

[1] Data from Bureau of Labor Statistics.
[2] 10-month average.

Mr. LAIRD. I certainly want to compliment the witness today on the fine presentation he has made.

Mr. KRIESEL. Thank you, sir.

Mr. LAIRD. I also was glad to get the figures that you supplied because I think they help me in a case that I am making for a bill, H. R. 119, which provides for the free flow of milk, if it meets sanitary requirements, in interstate commerce.

Mr. KRIESEL. Thank you.

Mr. WILLIAMS. You are familiar with the milk program now in operation in the New York milkshed, are you not?

Mr. KRIESEL. To a limited extent, sir.

Mr. WILLIAMS. As far as fluid milk is concerned, that is correct, is it not?

Mr. KRIESEL. Temporarily permitted a higher price.

Mr. WILLIAMS. At the present time, I say.

Mr. KRIESEL. Yes.

Mr. WILLIAMS. That has been so since the first of January, or 5 months, January, February, March, and April. That was a program identified as a superpool set up by the governor and his department of agriculture, by agreement with the distributor, to maintain a high price for class I, not only in the retail market but—that is so, is it not?

Mr. KRIESEL. That is my general understanding.

Mr. WILLIAMS. That superpool superseded the Federal marketing program in New York, the New York milkshed, did it not, or in other words, you had no part in fixing prices for the first of January until the first of May in the New York milkshed?

Mr. KRIESEL. That is what I understand.

Mr. WILLIAMS. I am talking about fluid milk.

Mr. KRIESEL. Yes, sir.

Mr. WILLIAMS. So there was a program set up there, and much has been said about the possibility of the consumer buying cheaper

milk. This program was set up—I approve of it—so that our dairymen in that great State might realize a little more for milk.

However, no consideration was given to the consumer over there, was there, in that program? It was an effort to continue high prices to the consumer by establishing a set class I price on fluid milk in that trade milkshed by what we call a program identified as a superpool. That is the privilege of every State unless the Attorney General might consider that the distributors were a little out of line in signing these agreements with the producers to maintain that high price.

That is true; is it not?

Mr. KRIESEL. That borders on a legal question. I am afraid I do not have an answer.

Mr. WILLIAMS. So these barriers, so frequently referred to, are mostly a State provision. I heard it said here, I think, Monday or Tuesday, that there was no program in your Federal marketing order that had barriers in it, in any Federal market, to prevent the interstate transportation of fluid milk, if that milk met the requirements of that market. They were perfectly at liberty to ship their milk in those marketing areas. Am I right about that?

Mr. KRIESEL. I think that is the objective toward which the administrators of the program strive.

Mr. WILLIAMS. At the present time there are no barriers in the New York order against Wisconsin or Minnesota shipping fluid milk in there if they meet the requirement of that order. If there is any barrier, they are State barriers; is not that true?

Mr. KRIESEL. Well, State or local municipalities.

Mr. WILLIAMS. Right. They are under the State law. But they are not Federal barriers.

Mr. KRIESEL. That is right.

Mr. WILLIAMS. That is all.

Mr. ABERNETHY. I think that is a correct statement of what the witness testified to on Tuesday and Wednesday of this week.

Mr. ANFUSO. I want to thank the chairman for trying to bring this matter out into the open. Just to clarify the matter, Mr. Kriesel, am I correct in understanding that, as the result of price-support drop from 90 percent to 75 percent, there has been a gain to the consumer insofar as cheese and butter are concerned, and a slight gain 0.4 of 1 cent so far as milk is concerned, is that correct, sir?

Mr. KRIESEL. That figure is a calendar-year average. Actually the change in support level occurred on April 1, so to be more precise, in determining the change in prices I would want to use the marketing year data. But from the figures I have cited earlier that is a correct conclusion.

Mr. ABERNETHY. Do you want to pin yourself down to say that is correct?

Mr. KRIESEL. The figures are correct that I cited.

Mr. ABERNETHY. You stated a moment ago that that drop of 0.4 of 1 cent was made up of, as I remember, the result of numerous factors, economic factors, price wars, none of which are related to price supports.

Mr. KRIESEL. All right. There were several changes in merchandising methods. You are certainly correct. It is a complex of factors that are involved.

Mr. ANFUSO. I understand that you are trying to be of further aid to the committee by giving us all of these figures. Frankly, I would like to have you give me the figures, and of course give the committee the figures, on whether or not first of all, it is the claim of the Department that the drop of price supports from 90 to 75 percent results in a saving to the consumer insofar as cheese and butter products are concerned, and a flat yes-or-no on that, and a flat yes-or-no, the drop caused a saving to the consumer insofar as milk was concerned, and if there are variations I should like to know all of them.

If there are other contributing factors as to why the price to the consumer dropped insofar as cheese and butter are concerned, other than the drop in the price support. I should like to know that—whether it involved labor charges, prices paid to the producer, or to the farmer, all of the contributing factors which resulted in the change.

I think that both the committee and the people that are going to eventually be affected, want to know that.

Mr. KRIESEL. We will make every effort to supply that. I would like the advice of the committee if they would like to help us on this question. The matter of obtaining or gathering data for the different cities of the country presents quite a problem to us, because we have data only on about 130 markets of the country. And the fact is, it might not be possible even to supply the data for that number and certainly there are many other markets in which you might, individually, be interested on which we have no data. What I am trying to say is that we will give you as many data for as many markets as we can, and we will make every effort to select from that group——

Mr. ANFUSO. Both the chairman and I asked you specifically about New York City and New York State.

Mr. KRIESEL. Yes, sir.

Mr. ANFUSO. You have those figures?

Mr. KRIESEL. We do.

Mr. JOHNSON. We have been talking about, most of the morning, the 1954 price. If I understood Mr. Williams from New York correctly, he was talking about what happened since January 1, 1955; is that correct?

Mr. KRIESEL. That is right, sir.

Mr. ABERNETHY. If there are no further questions, that will conclude the hearing for this morning.

(At 11:50 a. m. the hearing was concluded.)

STUDY OF THE DAIRY INDUSTRY

TUESDAY, APRIL 26, 1955

HOUSE OF REPRESENTATIVES,
COMMODITY SUBCOMMITTEE ON DAIRY PRODUCTS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D. C.

The Commodity Subcommittee met, pursuant to adjournment, in room 1310, New House Office Building, Hon. Thomas G. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy (presiding), Polk, Johnson, Knutson, Andresen, and Laird.

Also present: Representatives Watts and Bass.

John J. Heimburger, counsel.

Mr. ABERNETHY. The committee will come to order.

We have met this morning for the purpose of hearing Mr. Zimmerman on a study that he made for the National Grange. We have also scheduled for appearance the Farm Bureau Federation and the Farmers Union.

We are delighted to have you, Mr. Zimmerman. We have heard a good deal about your study. We will be delighted to hear from you at this time.

Mr. ZIMMERMAN. Thank you, Mr. Chairman. I have a statement that I would like to read if that is agreeable.

Mr. ABERNETHY. May I suggest first, Mr. Zimmerman, that you identify yourself for the record, your name, your background, briefly?

Mr. ZIMMERMAN. My name is Gordon K. Zimmerman. I am here representing the National Grange. The bulk of what we will have to say this morning bears upon a study we made, for the National Grange, taking up about a year and a half in which we visited some 14 States, examined a great deal of material and carried on correspondence with industry people in most of the rest of the States. I would like to say that we have a general statement here.

STATEMENT OF GORDON K. ZIMMERMAN, THE NATIONAL GRANGE

Mr. ZIMMERMAN. The National Grange welcomes the opportunity of presenting to this subcommittee some of its views on the dairy situation.

We recognize that total milk production, for a number of reasons, has increased to a recordbreaking number of pounds. Production per capita, however, has dropped to an alltime low during the past 3½ years. Meanwhile, consumption of milk and dairy products has been lagging. The use of butter and fluid milk has declined seriously and this drop has not been offset by a sufficiently increased use of fluid milk, ice cream, cheese, and other milk products. As a result, the country has had a surplus of dairy products.

In this situation, the delegate body of the National Grange takes the position that action to increase consumption—especially of fluid milk—is far and away the most desirable of the possible remedies. We are pleased to notice that in recent months the trend of consumption has been upward.

More than a year ago, when surpluses were more acute than they are today, the National Grange began a study of Barriers to Increased Milk Consumption. The study was prompted by three positions held then, and now:

1. Increased consumption of fluid milk would be advantageous to all concerned. It would provide a higher blend price for producers. It would favorably influence the business of handlers. And it would be beneficial to consumers.

2. A high level of milk and dairy product consumption is an essential part of a healthy grassland agricultural marketing outlet in the United States.

3. Per capita consumption of fluid milk in the United States is too low—and should be increased. It has been increasing slowly, but on the average, Americans are still drinking less than the minimum nutritional requirements. Dollar for dollar, in terms of food value, milk is probably the least expensive of foods. Yet among the nations of the world, the United States ranks only eighth in fluid-milk consumption per capita.

We wanted to find out what was standing in the way of consumption—why we weren't drinking more milk. We found eight reasons:

1. Persistent weakness in milk merchandising over the years. In the judgment of many dairy leaders and marketing experts, milk simply has not been "sold" to the largest group of potential buyers in the Nation. Prof. Herrell DeGraff of Cornell University, for example, finds that "about half the adult population seldom or never drink milk."

2. Serious complacency and resistance to change in the ranks of the industry—including producers, handlers, labor, and others—have held back better merchandising. Immediately, however, it is necessary to say that this is not a universal condition. There are thousands in the industry who are bold and vigorous in their efforts to build milk sales.

3. The lack of a positive, coordinated effort by all the elements of the industry has continued as a block to expanded consumption possibilities. Most parts of the industry seem to be trying to go it alone.

4. Milk delivery labor unions have exerted influence, through contract negotiations and otherwise, to restrict price competition and marketing innovations.

5. Sanitary laws and ordinances, often excessively detailed, have been used in a number of places in a manner that has effectively restricted competition.

6. In 11 States, price competition among retail and wholesale milk sellers has been legally eliminated by State laws.

7. Complications have developed from the interpretation of Federal laws. Particularly, we refer to the Sherman Antitrust Act virtually enforces competition. In between, the industry operates in something of a shadowland. Milk sellers who joined forces to push milk sales might be suspected of violating the antitrust laws. On the

other hand, sellers engaged in vigorous price competition run the risk of being charged with unfair competition.

8. In recent years, many Americans have become weight and calorie conscious. Many, apparently, regard milk as a fattening food, and have cut down or eliminated altogether their consumption of whole milk, failing to take its sound dietary value into full account.

Copies of this Grange report were provided to all Members of the Congress early this year. The report goes into greater detail, of course, than the brief outline presented here.

In the main, we believe that most of these barriers—all except one—can and will be resolved, eventually, by the industry itself with the aid of consumers. It is true that much more State and local marketing research and information are needed. A great deal of educational work will be required. And although this promises to be a time-consuming program, we believe it is the most promising route in the long run.

We doubt the wisdom of seeking a solution to the barrier problem at this time, through Federal legislation.

There are some Federal actions, however, that would be helpful. In connection with the Antitrust and Federal Trade Commission Acts, some official, advisory statement to the industry would be useful, in our opinion. For example, it would be helpful to get answers to these questions:

How far can producer, distributor, and labor organizations go in joining forces to increase dairy consumption?

What is the dividing line between acceptable competition and unfair competition?

The National Grange also believes that refinements are possible in the Federal milk marketing orders; especially in connection with the pricing formulas used. We believe an analysis of the reserve, or safety margin, factors would be helpful. If calculations are designed to bring forth an unnecessarily large reserve supply in the period of short production, this tends to multiply the size of the surplus during months of heavy production.

And finally, we would like to recommend that a careful study be made, perhaps by the Department of Agriculture, of the possible advantages and disadvantages of regional milk marketing orders. The number of individual marketing order areas has been steadily increasing. The time may not be far off when several of these areas will be bumping up against each other within the same State or region. Since the operation of nearby markets affect each other materially, there may be real merit in the expansion and consolidation of some of the present individual orders on a regional basis.

In all these considerations the prime objective should be increased consumption of fluid milk. Thus the health and well being of American people will be served and we will augment the income of dairy producers; a highly important segment of agriculture, both economically and socially.

Mr. ABERNETHY. Mr. Zimmerman, when did you conclude this study?

Mr. ZIMMERMAN. We concluded it, sir, about last December.

Mr. ABERNETHY. Who assisted you in making it?

Mr. ZIMMERMAN. Three members of the staff of the Grange, sir.

Mr. ABERNETHY. Would you supply their names?

Mr. ZIMMERMAN. Yes, sir, Mr. Fred Bailey, Fred Bailey, Jr., and Mr. Donald Dale McPherson.

Mr. ABERNETHY. Well, how did you go about making it?

Mr. ZIMMERMAN. The study was made primarily through the medium of personal interviews with distributors, producers, milk marketing folks in our land-grant colleges, State dairy officials, State departments of agriculture and extension. We called on literally hundreds, sir, of folks in the industry including consumers. We carried on correspondence with people around the United States. We examined State laws governing milk, marketing, the Department of Agriculture data, we did as thorough a job as we could with the limited facilities at our command.

Mr. ABERNETHY. What period——

Mr. ZIMMERMAN. We make no pretense, sir, that this is an exhaustive study of the situation. This was done by the Grange to the best of its ability.

Mr. ABERNETHY. What period of time was consumed in making the study?

Mr. ZIMMERMAN. Approximately a year and a half from July of 1953 to the end of last year.

Mr. ABERNETHY. This question might provoke a modest answer from you but you need not be so. Why were you selected to make the study?

Mr. ZIMMERMAN. I cannot answer that, sir.

Mr. ABERNETHY. What were your experiences that prompted the Grange to select you for that purpose?

Mr. ZIMMERMAN. I was called in by Mr. Hershel Newsom, the national master of the Grange and we discussed this and he asked me if I would undertake this task and I said I would.

Mr. ABERNETHY. Are you an economist?

Mr. ZIMMERMAN. No, sir.

Mr. ABERNETHY. You have on page 2 stated the following:

> We wanted to find out what was standing in the way of consumption—why we were not drinking more milk. We found eight reasons.

You have set forth there eight reasons. I wonder if you would take the time to take up each of those and give us some details of what you did, where you went, with whom you talked and what you found.

Mr. ZIMMERMAN. Yes, sir. We visited the States of California, Oregon, Minnesota, Wisconsin, Illinois, Indiana, Ohio, Maryland, Virginia, North Carolina, Pennsylvania, New York, Rhode Island, and probably I am overlooking 1 or 2. I am trusting my memory. There were 14 in all.

We began by talking to those persons through our State Grange masters that had been recommended to us as the most knowledgeable about the milk situation in the particular State in which we were in. In the State of Oregon, for example, Mr. Elmer McClure is the State master of the Grange. On his advice we talked to the State, then the State milk marketing administration officials. Mr. Weinland, I believe it was, or Weinstein.

We talked to Mr. Irvin Peterson, now Assistant Secretary of Agriculture, who was at that time State commissioner of agriculture. We talked to distributors. We talked to producers in the States. We talked to other farm folks. And, as we began this study, we would

start out by asking them their opinions as to what was interfering with milk consumption and normally you would get a stock answer, it turned out, they would say, well, we are not doing a good enough merchandising job. And, as you would ask further their opinions, they would suggest that the way to do a better milk marketing job would be to concentrate more attention on children through the schools, through youth organizations, to impress upon parents the necessity of increasing the use of milk for children. If you would press them further, you did not get a very satisfactory answer; it would be pretty vague. Well, we need to do a better marketing job, but nothing very explicit.

Almost never did we run into anyone in industry who suggested that adults might drink more milk.

I I may pause 1 minute here and say that these positions, these barriers we have listed here, are general statements and for every position we have taken here we could probably present folks who took an opposite position. In other words, these are not black-and-white barriers.

We say there is complacency in the industry, as I have indicated there there are also very many people who are working very hard, who are very bold, and want to take a much more vigorous position in selling milk. And so it is with most all of these barriers. The work of the American Dairy Association is outstanding. I think the record speaks for itself.

They have made and are making a major contribution right now to the increased consumption of milk.

So I do not mean to indicate by any means that these are flat or fixed barriers. These are frequent conditions.

Mr. ABERNETHY. May I interrupt there?

Mr. ZIMMERMAN. Yes, sir.

Mr. ABERNETHY. To refer to page 2, I will quote from your statement:

> Most parts of the industry seem to be trying to go it alone.

I wonder if you would amplify that.

Mr. ZIMMERMAN. There are 11 major separate organizations in the dairy organization. We have an organization representing cheese interests, another one representing butter interests, we have various producer organizations, and we have distributor organizations. We have supplier organizations. There is at the present time no concerted industrywide program to increase the consumption of fluid milk in which all elements of the industry take part. The nearest thing we have is the work of the American Dairy Association and the National Dairy Council. Primarily the Cheese Institute, for example, is, understandably enough, concerned with the promotion of cheese. And so it is with the other segments of the industry. I do not mean to indicate here that they do not speak to each other. That is not the case at all. But there is not an overall concerted program in which everyone joins forces, either for sales, sir, or for such matters as what industry's position is in connection with Government support programs.

Mr. ANDRESEN. You mention these 11 different organizations and that is something that I have been quite fully aware of but that has not been largely the trouble with the inability of the organizations

to get together on an overall program. They have been together on certain individual issues but when it comes to an overall program, I have generally found that it is difficult for them to agree.

Mr. ZIMMERMAN. That is correct.

Mr. ANDRESEN. I have reached the same conclusion that you expressed here today. Have you any suggestions how they can get together on a common program?

Mr. ZIMMERMAN. This is as difficult a problem as faces the industry, I think in our opinion, sir, one of the most important of all. It has been suggested what industry might need is a high commissioner like baseball has.

Most people that we talked to subsequently after this had been brought out a couple of times in industry thought that was pretty objectionable. I think this was particularly obnoxious to some of the executive secretaries of these particular groups. They felt that it might reduce the importance of the various individual organizations, although I do not subscribe to that view—whether there is a possibility of an overall dairy trade association, something that might resemble the Cotton Council. I certainly believe that there is opportunity for some of the leaders of the various segments of the industry to explore the possibilities more than has been done so far.

Mr. ANDRESEN. The closest I recall that the dairy groups got together was back about 19 years ago, when they created a legislative organization and that was prior to World War II when they were beginning to feel the pinch on the reduction in the consumption of dairy products.

I want to commend you, and the Grange, for the fine study that you have made. I think it is excellent. I would like to have the entire study in the record but that may be very difficult.

I was wondering if you had any analysis of your study that could set forth point by point without going into too much detail, that we might have incorporated in the record.

Mr. ZIMMERMAN. The only thing that occurs to me at the moment, sir, is the conclusion in the report in which we undertook to summarize in 2 or 3 pages the findings of the report.

Mr. ANDRESEN. Does that outline point by point what you covered in the main report?

Mr. ZIMMERMAN. That highly condensed form does, sir, beginning on page 120 in this report that you have in front of you.

Mr. ANDRESEN. If it is not at all objectionable, I would ask unanimous consent that the conclusion which Mr. Zimmerman has referred to be included in as part of our record.

Mr. ABERNETHY. Mr. Andresen, in response to that, let me suggest that for the time being we withhold. It may be possible that the record will not be too voluminous. If not, we might include the whole thing. I think we ought to discuss it with the chairman of the committee and the ranking minority member before we encumber the record with the entire one-hundred-and-some-odd pages. It may be possible that we might include the entire report and if not, then we will include the part to which you have just addressed yourself.

Mr. ANDRESEN. With that understanding, why I will just withhold my request, but do you know of any more important industry in American industry than the dairy industry?

Mr. ZIMMERMAN. No, sir; in my opinion it is most essential for a number of reasons, not the least of which is the effect upon the whole

land and water problem that we are now facing increasingly, aside from the economic elements of which I am sure you gentlemen have explored pretty fully. I would like to add one additional reason, the one I have just mentioned. That as we pay increasing attention to the restoration of eroded lands through our flood-control problems, development of watersheds, we move increasingly to a grassland type of agriculture, one I believe in which we are all agreed is most beneficial to agricultural development. Farmers are generally able to afford to put grass on their lands only if there is an economic outlet for this grass and that means livestock; in many, many instances it means dairying.

And for a healthy dairy industry there must be an adequate consumption.

And our concern here has been not primarily with a consumption which would relieve us of any surpluses but to develop those means of consumption which will take use to levels we have never had before. We believe that something far better than we have ever had can be obtained.

Mr. ANDRESEN. Do you now know of any industry in American agriculture that contributes more to the general economy of the country than the dairy industry?

Mr. ZIMMERMAN. I am not aware of any.

Mr. ANDRESEN. I have been of the opinion, I thought I was right according to the figures that I have received from the Department of Agriculture, that the dairy industry is the largest segment of American agriculture and I feel that the dairy industry contributes more to the general economy than any other branch of agriculture.

Mr. ZIMMERMAN. As I understand it, the dollar investment, number of farmers concerned and their income, from any part of agriculture is higher in the dairy industry than in any other.

Mr. ANDRESEN. And is it not a fact that when the income of the dairy producer drops, that it has its effect upon retail trade, manufacturing business and throughout the entire economy of the country?

Mr. ZIMMERMAN. It seems to me inescapable.

Mr. ANDRESEN. Mr. Chairman, I could ask a lot of questions here but I do not want to go into these things, however important, but I am certainly glad that the Grange has undertaken this tremendous study. And that it has made this contribution to the general welfare of the dairy industry and agriculture as a whole because I feel that it is all tied in together.

If we can profit by some of the recommendations and findings that you have made here in this study, if we can, it will be for the general welfare of the entire country.

Mr. ZIMMERMAN. I certainly thank you for your comment, sir.

Mr. ABERNETHY. May I again return to page 2, paragraph No. 5:

> Sanitary laws and ordinances, often excessively detailed, have been used in a number of places in a manner that has effectively restricted competition.

I would like for you to elaborate on that a little bit, Mr. Zimmerman.

Mr. ZIMMERMAN. I should say, sir, that in this particular connection the National Grange relied to a very large extent upon the findings of a study made by the National Research Council and published in 1953, a study which was headed by a Dr. Dahlberg of Cornell University, in which extremely detailed studies were made of the sanitary

requirements of eight metropolitan areas, a document that I believe is the finest thing of its kind that has ever been done, in which this group undertook to relate the health and sanitary ordinances of cities to the quality of milk produced, to try to show the relationship if any that existed between the intensity of the regulations and the quality. And their finding was that a great many of these cities have regulations which are excessively detailed, they have gone into requirements which do not influence the quality of the milk produced.

Mr. ABERNETHY. Did you find that those regulations were invoked as a result of appeal from consumers or producers?

Mr. ZIMMERMAN. I think you have to go back—this is a problem really in history. Most of these health ordinances began to be written at the time when milk began to move off the farm and into towns and cities. There were milk epidemics at the time or outbreaks of diseases, I should say, that were traceable to contaminated milk and, as towns added these ordinances, they began to grow and as the years went by more were added over the years and a great pyramid of ordinances developed and they are there to this day.

In other words, as a general statement ordinances have been added but very few ordinances have ever been taken away. As a consequence, there is a great residue of ordinances that were written and put on the books years and years ago, many of which were designed to deal with unpasteurized milk, and to apply to situations that existed before the modern, much more sanitary means of handling milk that we have today. A great deal, of course, depends upon the interpretation of these laws. There is more or less common talk as you are well aware that many of these ordinances persist as economic barriers and that no one is deluded as to the real intent of them. To make that kind of a statement you must probe the intent of a man's mind which is very difficult to do. But the fact remains that a mass of ordinances exists. Dr. Dahlberg's conclusion in which we share is that the time has come for a reappraisal, almost city by city, of their sanitary milk ordinances, to differentiate between those elements of the code which are absolutely essential to the protection of the public health and the proper operation of the milk industry, and those things which may be desirable but are not necessary.

We believe that if this were done, it would cut the cost of production to the producer, could conceivably by that reason, reduce the price of milk to the consumer, and certainly we believe there are areas or localities in the United States in which such a reappraisal might mean a better movement of milk from one part of the State to another or between States.

Mr. LAIRD. I wondered in your study if you gave any consideration to studying Federal standards by the United States Public Health Service in helping to provide for the free flow of milk in setting up standards.

Mr. ZIMMERMAN. Yes, sir, in our report we have suggested that the standards recommended by the Public Health Service are eminently desirable.

We hope that they will be widely adopted, because to the extent that they are more widely adopted, they would lead to reciprocal arrangements on milk inspection, not only between cities but between States. Our view is that the industry and producers particularly should use what influence they can to urge the adoption of codes which

are modeled after the recommendations of the Public Health Service in this regard. We have not favored any legislation which would apply this code nationally as a matter of law, mainly because the codes which have been built up for years have become a part almost of the tradition of many local milk markets. Cities are very jealous, or maybe that is not the word, of their rights in this regard, to establish their own sanitary codes as you are aware.

And so much of the economy of almost local milk markets depends upon the existence of these codes——

Mr. LAIRD. Would it be true that if we established some uniform code of some sort to provide for the free flow of milk we could reduce the cost of the farmers who are producing milk?

Mr. ZIMMERMAN. To the extent that you would remove excessive codes, you would certainly reduce the cost of milk.

Mr. LAIRD. Would it then follow that the consumer would also receive some benefit?

Mr. ZIMMERMAN. I would certainly think so. To what extent would depend upon the local market, though.

Mr. LAIRD. That is all.

Mr. JOHNSON. When you went into this study, did you go into it as to the constitutionality of a national health standard that would be mandatory on the various States?

Mr. ZIMMERMAN. No; we did not.

Mr. JOHNSON. That is a question that you often hear, that such a standard would be unconstitutional. That is something I am interested in.

Mr. ZIMMERMAN. The question of—the legal questions involved in these codes have been in many courts but we did not undertake to examine the constitutionality of the issue.

Mr. JOHNSON. That would be one way for the national standard to be mandatory in every community, that would be the solution if it is constitutional.

Mr. ZIMMERMAN. So far as my reading took me, if I remember one or two court cases, the decisions I believe they were of the State courts, sir, held that there was no question of a city's right to establish its own health code in this regard.

Insofar as this code did not restrict interstate commerce, that is.

Dr. WILCOX. Under item 8, toward the bottom of the page, "we believe that analysis of the reserve" and so forth, "would be helpful."

Mr. Forest testified the other day that they thought 24, 25 percent reserve during the short period of the year was needed. I wondered what your thought was in that regard?

Mr. ZIMMERMAN. We have also run into many who believe that a 15 percent margin is adequate and some who believe it may be more than adequate depending upon the market. Certainly there is no uniformity among Federal market orders as to what this margin ought to be and what the practical reserve needs to be. Certainly, we would never be in the position of advocating a margin so low that during shorter periods we would run the risk of not having enough milk. On the other hand, if these margins are too high, during the short period they can only serve to bring forth a flood of milk in the flush season that pours over into manufactured products. let us say, in the East, which then helps block out the midwestern manufactured product market and generally is a price-depressing operation all

around. Another feature of this business of the research margin that interests me and we are interested in seeing carried further by qualified people.

As near as we are able to find out the factors involved in developing this research are also different. For instance, one market reserve may be built upon the minimum requirement for fluid milk alone during the short season.

Another market the reserve may be built on the requirement for fluid milk and fluid cream.

Another one may also include ice cream, but the addition or subtraction of fluid cream and ice cream can alter the minimum requirement by as much as 6 to 8 percent in the short season.

And this, of course multiplies and can aggravate the problem in the flush season. As I understand it, these formulas were developed during the period of serious milk shortage during the war and as a consequence, the factors were not as tightly applied as they might normally have been, because had they been, as I understand it, it would have sharply increased the price of milk at the time.

Probably some of the laxity, if that is what it is, in these formulas might now be examined; if there is some tightening up to do, it would certainly be worthwhile.

We are of the opinion that that certainly bears some sharp analysis.

Mr. ABERNETHY. I want to ask about one other thing.

Returning again to page 2, paragraph 6. In 11 States, price competition among retail and wholesale milk sellers has been legally eliminated by State laws.

I wish you would elaborate on that some, please.

Mr. ZIMMERMAN. Yes, sir; beginning in the depression days in the early thirties when milk in some States in markets fell to a penny a quart, very tragic days they were, efforts were made then through machinery to protect the price of milk to the consumers and to the producers. It was not so much a matter of protecting the consumers. It was cheap milk. In this development State laws, marketing laws were passed which normally established a State commission or administration and empowered them to establish minimum and maximum milk prices in their States to producers at the wholesale level and at the resale level. As the years went by during the thirties these laws were amended or modified, in 1 or 2 instances repealed, on the grounds that the emergency had passed. But in other States, the statutes have persisted. And have been reqritten to remove the emergency aspect of them. They have become permanent pieces of State legislation.

The factors that we discuss here are the controls exercised by State governments over the wholesale and resale prices, in other words, these prices are established by State commissions; there can be no deviation from them without violating a State law.

In consequence there is no price competition. No legal price competition, that is.

Mr. ABERNETHY. In those States do they fix the prices at producer and handler and resale levels?

Mr. ZIMMERMAN. Yes, sir.

Mr. ABERNETHY. All three levels?

Mr. ZIMMERMAN. Yes.

Mr. ABERNETHY. Would States have the authority to fix prices for all other things sold within the State?

Mr. ZIMMERMAN. I do not know that I am competent to answer that question.

Mr. ABERNETHY. It occurs to me that, if they have the authority to fix the price at the producer, handler, and consumer levels, there would be nothing to prevent them from fixing the price at the producer, consumer or handler levels for all other commodities, not just these commodities, but all other products produced in the State.

Do you know whether or not his price-fixing authority has ever been thoroughly tested in the courts?

Mr. ZIMMERMAN. I believe it is being tested right now. I do not know whether it has ever come to the Supreme Court, but my understanding is that there are constitutional challenges now underway in both California and Virginia which might lead to the Supreme Court.

Mr. ABERNETHY. In your study, have you found that this practice was or was not in the interest of all three, that is, the producer, handler, and consumer?

Mr. ZIMMERMAN. Well, this is, by all odds, the most controversial of all of the features, of all of the barriers which exist as we saw them in the milk industry. Our conclusion is that the disadvantages of State retail and wholesale milk price control considerably outweigh the possible advantages.

Mr. ABERNETHY. How does consumption in the States that have the price-fixing authority per capita consumption compare to those States which do not have it?

Mr. ZIMMERMAN. I do not think you can analyze the permits on the basis of per capita consumption.

Mr. ABERNETHY. That may not be but I wonder if it is higher or lower?

Mr. ZIMMERMAN. Our suspicions are that it is lower, but it is so hard to get a reliable per-capita consumption figure for an individual market or even an individual State. It is so hard to draw some comparisons, that we studiously avoided getting into that one, sir. But we did find these particular disadvantages to State price control on milk.

It inevitably in any city in which there is a large metropolitan market leads to illegal practices, rebates, discounts, gifts, and odd services, all under-the-counter type operations, and most States with large metropolitan markets that have these laws have a record which is open for all to see of one fine after another, where an attempt is made to police this price structure and it is a most difficult thing to do because so many people handle milk.

I believe there is now in California a set of fines—it is rumored although not confirmed officially—a set of fines running close to $2 million which is about to be levied against 4 major dairies.

Fines that ran to $10,000 and $20,000 were levied not so long ago in New Jersey shortly before the Governor suspended milk price control in that State.

Mrs. KNUTSON. Mr. Chairman, I do not know if this is permissible but I would like to relate a couple of letters to you, Mr. Zimmerman, about the price of milk and some of the problems that the farm wife is noticing around the country and maybe you have some solutions to them.

This one letter is from Mrs. John E. Allen. She says:

We have 200 acres—75 seeded to improved pasture. We raise and put up our own silage, raise our own grain. We have a 50-cow herd and raise our own replacement. We are working hard to organize and establish a producer association to protect us against the big handler, as now they can test and weigh our milk any way they like. A number of dairymen have had to take what they could get for their investment and quit. On our own herd we have received $2,000 less money in 1954 than for more milk shipped in 1953. But the consumer pays the same price for what he bought and our feed, groceries, and clothing were even higher.

Then I have another one from the State of Minnesota, that I would like to read, too. It is from Mrs. Floyd Waldo, Route 3, Winona.

On our farm we produced 65,177 pounds more milk last year and received $204 less. Our costs remained inflexible while our markets were unstable. But consumers have not benefited from this farm price cut.

And then Mrs. Bernice Bingham of Rhode Island, Genesee, Idaho, adds:

It is bad enough to see farm returns grow steadily lower but it is even worse to know that the consumers never benefit. Last fall, the processors made a big thing of a cent a quart price reduction, made possible by producers getting that much less. The reduction in our price was very hard for us to absorb but we did feel good that milk would cost town folks less. In exactly 2 weeks the consumer price went back up but of course the producer price did not. This is the type of price usury that farmers are generally as helpless as babes to cope with.

What can we do about this sort of thing?

Mr. ZIMMERMAN. Mrs. Knutson, I do not know.

Mrs. KNUTSON. I cannot answer them, either.

Mr. ZIMMERMAN. You are talking, I suspect, about what goes on in free-enterprise business. And the charge that consumers do not benefit by reason of the reduction in price to producers. I suppose the only solution we have to that is some reaction on the part of the consumers.

Mrs. KNUTSON. Does the situation require a sort of explosion of the atomic bomb to make it right in this case? What can we do? What can we say to them?

Mr. ABERNETHY. Is there anyone here that can lead us out of the dark?

Mr. ZIMMERMAN. I would like to have the answer to that one.

Mrs. KNUTSON. I am sorry I had to leave it up in the air but that is the way it is.

Mr. ABERNETHY. Since I invited it, I will have to hear from you. What is your name?

Mr. TAYLOR. William S. Taylor, Dairy Industry Society, International. I think it is a lack of publicity to the consumer. The consumer is not always aware of these things.

Mr. ABERNETHY. Thank you, Mr. Taylor.

Mr. POLK. Mr. Zimmerman, I have not had an opportunity to read your booklet on Barriers to Increased Consumption of Fluid Milk, so you may have covered the question I have in mind in this, book. As you probably would know, there has been considerable discussion of the effect of Federal milk orders and milk marketing agreements during recent years, the effect of these on the milk industry, and I am wondering if you have discussed that subject in your book?

Mr. ZIMMERMAN. We have discussed it modestly. I would say this that our interviews convinced us at any rate that most producers are pretty well pleased with the operations. I am speaking now of producers who live within the order areas only—those who do live within the order areas are generally pretty favorablly impressed with the way they work. There are some criticisms. I would have to call them minor ones. There has been some thought that perhaps it is too difficult, too time consuming to get orders amended, particularly in emergency situations.

Mr. POLK. Would your studies indicate that the Federal milk marketing program should be abandoned, or that it should be expanded or just what was your conclusion on that subject?

Mr. ZIMMERMAN. In the absence of any alternative, there is nothing we encountered that would cause us to believe they should be abandoned at all. I think the wisdom of their expansion should be left to groups of producers primarily whom they were originally designed to help. We are particularly interested in the possibility of regional Federal milk marketing orders. We do not advocate them because we do not know what they would mean. Or whether they are even practical. The fact of the existence of several individualized milk marketing areas side by side with separate administrators and separate price structures strikes us as somewhat clumsy and awkward. We are puzzled, too, by such situations as we find in the New York City area where New York City operates and the New York milkshed operates within the Federal marketing order whereas right across the river and immediately adjacent such cities as Newark and Elizabeth for some strange reason are not part of that whole milk area.

Mr. POLK. Does your study lead you to believe that Federal milk orders are actually barriers to the increased consumption of fluid milk?

Mr. ZIMMERMAN. No, sir; I would not say out-and-out barriers. There are features about Federal marketing orders that have been regarded as barriers. You are probably referring to the compensatory payments system that exists in these orders. I do not believe that we would regard them as major barriers at any rate.

Mr. POLK. You may not be in position to answer this question but I am wondering if the Grange has taken an official position on the bill which has been introduced which would tend to eliminate the Federal order program. I refer to bills before our committee by Congressman Andresen of Minnesota and Congressman Laird of Wisconsin.

Mr. ZIMMERMAN. We have not yet taken a position, sir.

Mr. LAIRD. Will the gentleman yield at that point?

Mr. POLK. Yes.

Mr. LAIRD. I believe that is not exactly a correct interpretation of the bill. The two bills that have been introduced by Congressman Andresen and myself do not attempt to destroy Federal milk marketing orders. The bills merely provide for the free flow of milk in interstate commerce, if that milk meets sanitary requirements which are laid down by the United States Public Health Service. Certainly any interpretation which is placed upon those bills which Congressman and I have introduced which tries to show that they are to destroy Federal milk marketing orders is not a correct interpretation.

Some of the opponents of the bills are trying to make out that that is what it does, but that is not what we want them to do.

Mr. POLK. It is my assumption that if those bills were enacted and I am getting this information from those who are in the milk business, that if those bills are enacted, that their ultimate effect would be to destroy all of the Federal milk order program. But that is the feeling among people out in Ohio who are interested in protecting the Federal order program.

Mr. ZIMMERMAN. I do not know how that interpretation could be placed on it.

Mr. LAIRD. Mr. Chairman, that is not a correct interpretation of the legislation, and I think it is unfortunate that some groups have tried to interpret them in that way.

Mr. POLK. That is my understanding, that the Federal milk order program has functioned pretty satisfactorily.

Mr. ZIMMERMAN. Yes, sir; that is our finding.

Mr. POLK. I am glad to hear from the gentleman that your study has confirmed that. We certainly would not want to pass any legislation which would weaken the Federal milk marketing program.

Mr. ZIMMERMAN. No, sir. I am afraid.

Mr. POLK. I think we should do that if it strengthens the program.

Mr. ZIMMERMAN. Too often when any revision is proposed to any particular phase of the milk industry the cry comes out that we will have impure milk and so on, that the program will be destroyed.

This is a defense against change on the part of those who do not want change.

(A group of young people from New Orleans were escorted into the room.)

Mrs. KNUTSON. I would like to know how many of the boys and girls drink milk? Raise your hands.

(All raised their hands.)

Mr. ABERNETHY. We would like to know how many of you do not drink milk?

(They pointed to one.) [Laughter.]

Mr. JOHNSON. These orders as you say, are they not working against producers who produce milk for butter and for manufacturing purposes?

Mr. ZIMMERMAN. To the extent that the class I price in orders were to get out of line, in other words, to be set too high either because of a faulty pricing formula, to the extent that that happens. I would say they do operate against manufacturing milk producers.

Mr. JOHNSON. Then you would recommend that the Department go into these orders and revise them?

Mr. ZIMMERMAN. That was the reason for my recommendation in my statement that some careful analysis be made particularly of this reserve clause, reserve aspect of the pricing formulas, because, if they are out of line, they do bring this result, in other words, you get in a larger supply of milk than the market actually requires, plus the safety factors.

Mr. JOHNSON. When you give a situation like you mentioned, you get the industry fighting within itself, you have your producers of butter and the manufactured milk against the fellows in the order area, because of the overproduction they are going into another field.

They are protected in the class A or class I as it is called, and then they dump their surplus in, and cause confusion and trouble up in the area that produces the butter and manufactured milk.

Mr. ZIMMERMAN. Yes, sir.

Mr. JOHNSON. Another thing I noted that I would like you to go into further, about the fact that practically every dairy organization has a different kind of solution for the situation. I have noticed that in Congress.

One particular group, without mentioning names, has one particular bill to cure the situation, and another group has another bill. Can you go into that matter further?

Mr. ZIMMERMAN. I think you have stated the simple fact that exists, for some reason whether it is pride of individual organization or whatever the reason may be, we still have not managed to get a very desirable harmony within the industry itself and whether this is a matter of personalities or of organization pride, I do not know. I suspect it is part of both.

Mr. JOHNSON. Do you figure that the fact that in many of these organizations, the processor is predominantly the person in the organization, that it may lead to some of this confusion, many are not grassroot farmer organizations?

Mr. ZIMMERMAN. I am sure that handlers and processors have often exerted strong influence on producer decisions, and whether or not this influence is always in the interest of the producer is questionable.

Mr. JOHNSON. The fellows from the South are interested in cotton and they tell me that back at the time when the buyer of cotton and manufacturer were helping them with their problem they had confusion at that time, too.

Mr. ZIMMERMAN. We have found, we believe it would be very helpful if land-grant college systems would devote more attention to the education of producers on the marketing and pricing side of milk. They have done a grand job we believe in working with farmers to the extent that they can, on production problems, and I think the American farmers have done a magnificent job in increasing production, in upgrading their herd and improving the quality of their milk, but we have been so preoccupied and I think probably for good reason during the war, we have been so preoccupied with production problems, we have badly neglected milk-marketing problems.

Mr. ABERNETHY. I think that is true. If you will let me interrupt you. I think that is true of every segment of agriculture. We have put emphasis on production and I think properly so. We have increased our production as a result but I think we have very badly failed and neglected to come up with the marketing of the products that we have been producing. We have fallen behind in research relating to marketing.

The emphasis year after year has been put on more milk per cow, more cotton per acre and more wheat per acre and more this and more that. Now we have the stuff running out of our ears with insufficient markets.

Mr. ZIMMERMAN. I agree with you.

Mr. JOHNSON. I did want to commend Mr. Zimmerman for his fine statement presented to us.

Mr. WATTS. I notice on page 3, bottom paragraph, that you say:

> The National Grange also believes that refinements are possible in the Federal milk-marketing orders, especially in connection with the pricing form last used.

Mr. ZIMMERMAN. Yes.

Mr. WATTS. I assume that you more or less answered that to Mr. Johnson a moment ago when you said that the price on grade A milk sometimes influences the milk going into the production line of cheese and butter.

Mr. ZIMMERMAN. Yes, sir.

Mr. WATTS. Is that what you meant by taking another look at the pricing formulas?

Mr. ZIMMERMAN. No, sir. Not precisely, our recommendation bears particularly upon the reserve or safety-margin element which goes into the pricing formula. In other words, the pricing formula is designed to bring forth an adequate supply of milk for a market at the period of shortest supply. It was designed to bring forth an adequate supply plus a safety margin because it is hard to calculate from day to day what a market will use.

This safety margin may amount to 15 or 20 percent, but every time you change this by 5 percent, you are adding to the flood of milk that you are drawing forth into that market.

This gets to be a pretty precise kind of an operation and it is not an easy one. But if the safety margin is set unnecessarily high this multiplies then the amount of milk that you bring into the market during the flush season all of which spills over into manufactured products.

Mr. WATTS. Do milk orders set different amounts for the reserves?

Mr. ZIMMERMAN. Yes, each order is an individual order, and there are different safety factors and the elements which go into the safety factor are different. For instance, the safety factor may be based upon fluid milk supply alone or then it may include fluid cream or it may include both fluid-cream and ice-cream requirements in addition to fluid milk. This can make a difference of 6 to 8 percent possibly.

Mr. WATTS. It is also based on the consumption pattern in that community, is it not?

Mr. ZIMMERMAN. Yes, sir; the pricing formula is so constructed to bring forth an adequate supply based upon the anticipated consumption or requirements at that time.

Mr. WATTS. Federal milk orders apply equally to fluid milk for consumption and manufactured milk; don't they?

Mr. ZIMMERMAN. I do not follow the question.

Mr. WATTS. A Federal milk order in effect in a given area, does that Federal milk order also deal with milk that goes into butter and cheese?

Mr. ZIMMERMAN. Yes, sir; classified pricing system is used in all Federal marketing areas in which price is assigned to milk according to its use.

Mr. WATTS. You said, or made some reference to area regional milk orders. I assume from your discussion that you felt if a milk order was adopted, in a given area, that the geographic boundary of that area should go out as far as that particular milk order could effectively operate in that territory; is that right?

Mr. ZIMMERMAN. Yes, sir.

Mr. WATTS. If a milk order is adopted in a given area that it should apply as far out as that particular milk order would operate satisfactorily in that whole territory?

Mr. ZIMMERMAN. We think there is probably much to be said in that regard; yes, sir. Part of our reasoning comes from the fact that with modern trucking and refrigerated arrangements, the ability of

producers and distributors to move milk 200 or 300 miles is now almost commonplace whereas 30 or 40 or 50 miles not so many years ago was about the limit in which you could move fresh pure milk.

Now the area has been extended and considerably extended, and it occurs to us that this may be a very practical reason for extending the boundaries of these milk-order areas.

Mr. WATTS. You might run into a situation where maybe the area could extend several hundred miles in some instances and in other instances due to other factors, it would have to be smaller?

Mr. ZIMMERMAN. Yes.

Mr. WATTS. Going back to No. 6, that Congressman Abernethy questioned you about on page 2, I assume from your discussion that probably in these 11 States the prices were probably set too high?

Mr. ZIMMERMAN. No, sir, I would not say that. Not necessarily. Our fault that we find with State resale price control is not necessarily on the price side. The flaws as we find them come elsewhere. They come in illegal practices resulting. In other words, since price competition is legally outlawed, there is a great temptation to engage in illegal price rebates, discounts, gifts, and services.

It leads to public controversy almost inevitably where there is a large metropolitan area involved. I would like to make a point if I may here, Mr. Chairman, the State of Vermont for example, has State resale-price control and yet relatively there is no discord in the State. It is a milk-exporting State with no large metropolitan area. And to discuss State resale-price control as that exists in California, in terms of what exists in Vermont, is the difference between day and night. But the existence of Los Angeles markets, and San Francisco markets and Oakland markets and other big markets, with a tremendous supermarket development, with a very active consumer interest in milk, and an exceedingly high competition, has created a great deal of public controversy and there are charges and countercharges made between the advocates and the opponents, and the net result is that milk gets a black eye because, when you hear the words "racketeering and pirating, and profiteering," too often associated with milk, some people believe it.

It fell into very bad order in Oregon and the Oregon voters did repeal resale-price control at the last November election in connection with the statewide referendum. It does lead to this type of controversy which, in net, hurts the consumption of milk.

I think there is absolutely no question about it. It does not protect the people against monopoly development although this was one of the original claims made for it. There is no question that it has some considerable beneficial effect in preventing price wars. But our position is that there are other and equally satisfactory ways of preventing price wars than to go through the very laborious and costly operation of having State resale price control.

Mr. WATTS. In those States that accept the price control, do they set it on a flat or on the variable formula that changes from time to time?

Mr. ZIMMERMAN. In some States it is very hard to find out how they do set the price. The theory is that there is a formula.

Mr. WATTS. When the price changed, was the change reflected on all levels, retail, producer, and processor.

Mr. ZIMMERMAN. Normally, yes, sir.

Mr. WATTS. Going back to No. 5, did you in your investigation, run into many situations where local laws and ordinances were enacted almost solely for the purpose of protecting the local producer and the local processor?

Mr. ZIMMERMAN. I think you would have to say that in the beginning most of these codes were set up actually as a matter of public protection.

Mr. WATTS. I realize that.

Mr. ZIMMERMAN. Then, as I indicated a little while ago, your question would require a probing of the intent of a man's mind and depending upon the application.

Mr. WATTS. Pardon me. Isn't the practical effect of many of these city ordinances to restrict the milk business to those processors who are within that vicinity?

Mr. ZIMMERMAN. No question about it.

Mr. WATTS. I have a town in my district that has a city milk ordinance that says unless a producer conforms to the requirements of its health code that he cannot ship any milk into the town. If some person they do not want, ships milk in there or some person who is a processor outside of the city limits of that town, ships milk in, they tell him they do not have adequate funds to properly inspect it and therefore they cannot certify that he is producing the type of milk they want. The ordinance is used to create an absolute monopoly for those people located within that particular city who are processing milk; I notice in your statement that you do not think the Federal Government ought to go into that field. But I was wondering if the Congress should enact a law which set up a minimum national standard and provided that local organizations, cities, could enforce that standard, and could not adopt a lower standard, but could add other requirements to it. so long as they did not tend to create a monopoly or impede the flow of milk, could a law of that kind be enacted that might work?

Mr. ZIMMERMAN. I do not know but I believe Mr. Johnson brought up a little while ago whether there are any constitutional questions involved in this or not.

Our view in the grange, sir, is that we would like to have the time to try that a little while longer, to bring about some voluntary adjustment and improvement in these codes before we went the route of a Federal law.

Mr. WATTS. Have you noticed in the last 5 or 6 years any progress being made in tearing down these barriers that have been erected in the guise of sanitary codes?

Mr. ZIMMERMAN. Yes, sir; there is some. I think that is a fact that reciprocity between cities and even between States is beginning to develop. It is something that we hope we can encourage.

Mr. WATTS. I know of a number of instances where suits have been brought and many of these local ordinances have been declared unconstitutional. But the city fathers, the people that govern the town, they pass another one, and change a few words in the ordinance and they finally, in the course of 5 or 10 years, wear it out. I respect the right of any city to have a say over the type of milk that comes into its community and that its citizens consume. But it seems to me that the national standard would be a good one and that we might allow the city to impose some additional conditions so long as they were not

of a restrictive nature or a nature that would create a monopoly in that city or prevent the free flow of good milk.

That is all.

(Discussion off the record.)

Mr. LAIRD. I would first like to state that I think that the National Grange has made a real contribution to the dairy industry and to the dairy farmer by its fine study and the book which it has published, Barriers to Increased Consumption of Fluid Milk.

I think that this special report is one of the finest reports that I have seen for a good many years. It shows that you have made an exhaustive study and the contribution which you have made as a result of it, I do not think could be measured in any small terms.

I have used it quite extensively in my district. It is a fine contribution.

I have had some very fine reports on it. I would just like to ask one or two questions of you.

Do you know of any agricultural commodity that is regulated as much as milk?

Mr. ZIMMERMAN. I am almost certain beyond any doubt that there is no other commodity that is regulated anywhere near the degree that milk is regulated.

Mr. LAIRD. In your study you stated that you had not exhausted all of the sources so far as the study of the Federal milk marketing orders were concerned. I believe you left the impression that further consideration should be given to Federal orders by the USDA?

Mr. ZIMMERMAN. Yes.

Mr. LAIRD. There was a question asked earlier regarding the formula which was used in several Federal orders as far as the excess production was concerned.

Mr. ZIMMERMAN. Yes, sir.

Mr. LAIRD. I did not quite understand your answer. What do you think is necessary to control excess production in these order areas?

Mr. ZIMMERMAN. I do not think that you can come close to a general figure on what is necessary because the history of local markets would probably show some variation from market to market on what the essential minimum safety factors are. My point was answered, that these formulas were derived in an unusual period, at least in many markets. In other words during a period of shortage, during a war. Our position is that these formulas should be examined in the light of present-day conditions, to see whether they are precise enough.

And perhaps to refine them. We suspect that there may be room for refinement.

Mr. LAIRD. Do you think that hearings such as ours will do some good insofar as getting some of the local communities and States that have large metropolitan consuming areas to bring their sanitary requirements in line so they truly are sanitary regulations and not barriers to the free flow of milk? How do you think we best can do away with some of these unrealistic barriers that have grown up over a period of years around the large metropolitan consuming areas?

Mr. ZIMMERMAN. Our hope is that State by State some progress can be made in the development of statewide, industrywide organizations that would get at all of these barriers, that would get at not only

the tangible barriers like codes, but at the intangible barriers of complacency and poor merchandising.

If this can be attacked on a State basis, State by State by the people most intimately and economically involved, I think we will have a better and more lasting solution. This is really a challenge to dairy leadership. An organization in a State which brought together the leaders of the processors, the producers, labor, suppliers, and consumers, and sat down and mapped out a program and made an analysis of the potentialities of the dairy industry in each State and the markets, and brought in the facilities and the data available through the colleges, I think would be a long, long step forward, and is the route that we are particularly interested in.

Mr. LAIRD. We had testimony from an economist of the Department of Agriculture on Friday of last week that when the percentage level of parity support on dairy products was dropped a little over a year ago, the consumer received the benefit in the price of cheese and butter, but the consumer on a national average only received four-tenths of 1 cent in the reduction in price on the quart of bottled fluid milk. In your study there was no reference to this. I wondered whether you had given any consideration why the drop was so much more marked in cheese and butter and was not reflected to the same extent in the fluid-milk price.

Mr. ZIMMERMAN. I do not have the answer to that.

Mr. ABERNETHY. Mr. Zimmerman, we are very grateful for your appearance this morning. We may want to call you again some other time. Thank you very much.

Mr. ZIMMERMAN. Thank you, sir.

Mr. ABERNETHY. We will now hear from the Farm Bureau.

STATEMENT OF KENNETH HOOD, ASSISTANT SECRETARY OF THE AMERICAN FARM BUREAU FEDERATION; ACCOMPANIED BY JOHN C. LYNN, LEGISLATIVE DIRECTOR OF THE AMERICAN FARM BUREAU FEDERATION; AND ED TIEDEMAN, DIRECTOR DAIRY DEPARTMENT

Mr. LYNN. My name is John C. Lynn, legislative director, American Farm Bureau Federation. I would like to introduce to the committee, Mr. Kenneth Hood, assistant secretary of the American Farm Bureau. And Mr. Ed Tiedeman, who is director of our dairy department.

Mr. Hood has had considerable experience in Pennsylvania in the operating of the milk-marketing orders and so forth, and Mr. Tiedeman has been connected with the dairy industry as a producer, as an operator of cooperatives, and marketing, and so forth, over a period of some 26 years.

I would like for Mr. Hood to read our statement if he would.

Mr. ABERNETHY. All right, sir.

Mr. HOOD. The American Farm Bureau Federation appreciates the opportunity to discuss with this committee Federal milk marketing orders and their effect on the dairy industry in various parts of the country.

We have had a long continued interest in marketing agreements and orders and have supported the basic legislation authorizing this program.

Our 1955 policies adopted at the annual meeting in December 1954 state:

> We favor the use of marketing agreements and orders where producers develop feasible plans.

We believe that marketing agreements and orders are a means of providing a measure of protection to producers of perishable commodities which are difficult to support with loan and purchase programs.

As the committee knows, a number of questions arose during the past year regarding Federal milk marketing orders and their effect on producers outside the order markets. In order to evaluate these cricisms, a committee of American Farm Bureau Federation Board members, together with several members of our staff, early this year began a study of Federal milk marketing orders and their effect on the dairy industry.

Our study has not proceeded far enough for us to be in a position to make any definite recommendation at this time. We would, however, like to submit a brief of a preliminary statement which we are circulating among our State Farm Bureaus for comment and suggestions. While the statement does not contain final conclusions, we feel it may be of assistance to your committee in its study of the Federal milk order program.

We would like to reserve the right to file supplemental information and recommendations at a later date if further investigation discloses information that would be helpful to your committee in its deliberations.

The summary of our preliminary report is as follows:

Federal milk market orders, in one form or another, date back to 1933. They have become a recognized technique for determining the price to producers for milk sold for use in fluid-milk markets. In the 22-year period which has elapsed since the start. Federal milk orders have developed into a control program quite generally accepted by the industry as performing a permanent and justifiable Government function.

Although dairy farmers delivering to fluid milk markets quite generally support Federal milk orders, some criticism has developed mostly from manufactured-milk areas where no such procedure is available.

Those who criticize the operation of Federal milk orders do so in most instances on three grounds: First, that the class I pricing is too high and thus encourages overproduction which must go into additional manufactured milk products, thereby further depressing the price of all manufactured products; second, that class II or manufacturing-milk prices are below those customarily paid in manufacturing-milk plants so that the resulting margin permits handlers to offer the end products at prices below those quoted by Midwestern plants; and third, that Federal orders create artificial barriers to the movement of milk.

This study is designed to be an objective, impartial analysis of Federal milk orders, including their operations and the results with particular emphasis on the most controversial aspects.

Although the study is made primarily from the standpoint of analyzing criticisms of Federal milk orders, it also includes some background of the history, development, and conditions which brought about the Government's entry into the field of price determination in

the fluid-milk industry. No effort has been made to include a study of administrative operations since they are quite generally noncontroversial.

History: Federal authority to regulate the handling of milk was first provided in the Agricultural Adjustment Act of 1933. The Federal milk orders of today, however, are based on the Agricultural Marketing Act of 1937 which reenacted the authority granted earlier and spelled it out in greater detail.

Under this authority the Secretary of Agriculture is empowered to help stabilize marketing conditions by using Federal orders—regulations enforceable by law—which apply to handlers and producers of milk.

Federal milk control began wlth a program of agreements and licenses rather than orders, and represented, to some extent at least, emergency legislation. The original agreements, which were three-way agreements between producers, milk handlers, and the Secretary of Agriculture, dealt with retail prices as well as prices to producers.

Fifteen such agreements were approved in 1933. Within a short time the retail price provisions were withdrawn and licenses were issued for the next few years.

During the same period, namely the early 1930's, 29 of the 48 States enacted State milk-control laws. These laws provided for price regution which, in many cases, was on a statewide basis. Most of the State laws were emergency legislation and many were soon allowed to expire. Most of them contained provisions on resale pricing.

Because of the reluctance of milk handlers to enter into an agreement on price with producers, these agreements and licenses finally developed into orders which were signed by the President of the United States, without official approval by the handlers. The Presidential authority to sign on behalf of the Government has been delegated to the Secretary of Agriculture.

During the early years a number of court cases were brought to determine the constitutionality of the Federal law. Most of these problems were cleared up by 1940 through United States Supreme Court decisions.

The legal basis for the present enlarged program began with the Agricultural Marketing Agreement Act of 1937, which was supported by Supreme Court decisions upholding its validity in cases involving the New York and Boston milk orders in 1939.

The legal status of State milk control has also been clarified. The number of States with State control programs declined to about 15; however, there is a current trend toward more State control laws although the Oregon milk control law was repealed by referendum in November 1954.

At present there are 55 Federal milk orders in effect, with more in prospect, including some for which promulgation hearings have already been held or announced.

The need for Federal milk orders grew out of serious problems in pricing fluid milk, resulting to some extent from modern marketing methods. Perhaps the most aggravating and difficult problem with which the fluid milk industry has struggled for many years is seasonal variation of production. Since the demand for fluid milk is relatively stable and the production is subject to wide variation, the problem of surplus and low surplus prices is one which dairy farmers have been faced with historically.

Some surplus milk is necessary to any well-supplied market. A market to have an adequate supply usually requres a daily surplus or standby reserve of 10 to 15 percent above average daily sales in order to take care of day-to-day fluctuations in supply and demand.

We say here 10 to 15 percent. We are probably on the low side.

Because of wide seasonal variations in production, the amount of surplus in excess of what is needed may become very substantial during the months of high production. Conversely, the market requirements may exceed production during the months of lowest production.

As a result, handlers within the market seek additional producers to get enough milk for the short months, and thereby create a larger surplus in the next flush period.

The perishability of milk, which makes it impossible to store supplies in periods of heavy production for needs in the following low-production period, is also a factor which tends toward instability of both milk prices and marketing conditions. Instability has characterized practically all fluid-milk markets historically.

Following World War I, farmers around most of the large cities formed cooperatives in an effort to stabilize prices through collective bargaining with handlers.

Efforts of these producer cooperatives were reasonably successful for some years, even though they failed in some instances. During the depression of the early 1930's, many bargaining arrangements broke down and milk prices to producers declined to disastrous levels. As a result, farmers turned to Government, either State or Federal, for help.

The response to such requests resulted in a much more completely regulated milk industry for various reasons. Milk is a product which lends itself to regulation because of its perishability and the fact that adequate supplies of milk and dairy products are necessary, not only for normal growth and development of children, but also for optimum health in consumer groups of all ages. The production of milk has been surrounded with requirements in the form of sanitary standards established in both local, State, and national milk ordinances since milk generally is considered to be vested with public interest.

The existence of disrupted and disastrous marketing conditions during the early 1930's represents the basic reason why organized milk producers turned to State and local governments for help. It should be remembered that producer cooperatives turned to Government control only when they were unable to enjoy stability in their markets because of events beyond their own control. With the adoption of State and Federal legislation has come the gradual acceptance within the dairy industry of supervision in fluid-milk markets.

An additional occurrence of great significance which further influenced producer cooperatives to turn to Government control was an opinion from United States Attorney General Thurman Arnold about the year 1940.

In a letter to the president of a large milk cooperative, Mr. Arnold stated that in his opinion any discussion of price between representatives of milk handlers and producers meeting in a group would be considered a violation of the antitrust laws, and that the handlers would be subject to prosecution. Obviously, this would render any effective bargaining by producer cooperatives exceedingly difficult, if not impossible.

Mr. ABERNETHY. Why is it that the State price-fixing boards that we have in the 11 States, do not run into that same situation?

Mr. HOOD. You say why don't they?

Mr. ABERNETHY. Why is it that they are not running into that same situation? There is an opinion here from the Attorney General to the effect, it seems to me, that that form of price fixing might be a violation of the antitrust laws.

Mr. HOOD. You have State government involved. I think there is the difference. A representative of the State milk control board is always present when these groups are together. I think there is the difference.

Mr. ABERNETHY. I did not intend to interrupt you.

Mr. HOOD. And then practically all of your State milk orders deal with an intrastate, rather an interstate problem.

Federal orders are intended to stabilize market conditions for fluid milk by making the buying and selling and the distribution of fluid milk an orderly process on which farmers, milk distributors, and consumers can depend.

These orders are designed to promote the interests of producers and to assure consumers an adequate supply of milk. The basic purposes of Federal milk marketing orders are likely clearly stated in the legislation authorizing the Secretary of Agriculture to issue such orders.

The purposes of it as stated are to establish and maintain such orderly marketing conditions for milk and its products in interstate commerce as will establish parity prices to farmers; provided that whenever the Secretary finds from a public hearing that parity milk prices for a contemplated order are not reasonable in view of feed prices, feed supplies, and other economic conditions affecting market supply and demand in the area, then he shall fix such milk prices in the orders as will (1) reflect such factors, (2) insure an adequate supply of pure and wholesome milk, and (3) be in the public interest.

The scope of the act is quite broad. No order can be made applicable until it has been submitted to a producers' referendum. At least two-thirds of the affected producers must vote in favor of a Federal order before it can be made effective. This applies in the case of a Federal order containing a marketwide pool. When the contemplated order involves a handlers' pool approval of 75 percent of the producers is required.

In either case the percentage is based on the number of producers voting. It is also true that any Federal milk order must be terminated whenever more than 50 percent of the affected producers favor its termination. Approved cooperatives are permitted to cast the vote of all of their members en bloc.

Wide latitude is permitted the Secretary in the development and administration of milk-marketing orders. There is no particular uniformity in the provisions of the orders themselves. Some contain a handler pool which results in different prices to different producers, based on the actual utilization by each handler.

In other cases the marketwide pool is used, in which the average utilization of all milk among all dealers is determined and all producers who are the same distance from market receive the same price for milk of equal butterfat content and quality.

Terms and provisions: Provisions for pricing milk in a Federal order quite generally include:

(1) A classified price plan based on the use to which the milk is put;
(2) Distribution of returns to producers on the basis of pooling, with either a marketwide or an individual handler pool;
(3) Authority for deductions from the payments due producers who are not members of a cooperative for market services similar to those reformed by cooperatives;
(4) Provisions for financing the administration of the order, auditing of distributor's reports, and dissemination of marketing information.

The authority in the act to prohibit unfair methods of competition and unfair trade practices in the handling of milk has not been used in milk orders. The original marketing agreements and licenses fixed resale prices as well as producer prices, but this practice was discontinued within a short time. The June 1937 legislation specifically prohibits the inclusion of any provision for price fixing at the resale level in milk orders.

So far this discussion of terms and provisions has been confined to those which are permissive. There are certain actions which cannot be taken in a Federal milk order. One of the most important is covered by section 608c (5) (G) of the act which specifies that.

> No order applicable to milk and its products in any market area shall prohibit or in any manner limit, in the case of the products of milk, the marketing in that area of any milk or product thereof produced in any production area in the United States.

This sentence presumably is designed to prevent milk orders from being used as trade barriers to the shipment of milk in interstate commerce.

Mr. ABERNETHY. You state what it was designed to do. Does it have that effect?

Mr. HOOD. I think by and large it does. I am getting into the discussion later of the question of compensatory payments. That may come up at that time. We could pursue it now if you wish.

Mr. ABERNETHY. All right.

Mr. HOOD. Other limitations include the following:

Handling charges cannot be regulated, the price of milk sold between distributors is not regulated; production of milk is not regulated; new producers are not barred from coming onto the market; and a market is not guaranteed to farmers.

Prices established in Federal milk orders are not rigid. Since the act in general requires that minimum farm prices for milk be established at levels which:

(1) Reasonably reflect economic conditions affecting the supply and demand for milk;
(2) Assure an adequate supply of pure and wholesome milk for the market; and
(3) Are in the public interest, pricing techniques have in general followed formulas which allow the minimum price to change automatically along with certain changes in the market conditions for fluid milk.

These formulas are of two general types: (1) Those which are based on certain economic factors as for example the Boston formula, which uses three factors, namely, certain costs of production including wages and the prices of grain feeds changes in per capita disposable income; changes in the general level of wholesale prices for nearly 900 commodities;

(2) In other markets, particularly in the Midwest, a basic type of milk-price formula is quite generally used;

This approach bases the price for class I milk on the value of milk for manufacturing purposes and adds to this figure premiums designed to compensate for the additional costs of meeting city inspection and reducing seasonal variations in production. Even though it is not specified, most milk-marketing authorities consider that the premium includes a compensation for dependability.

Most of the orders include some form of supply-demand adjustment provision which is used when supplies become excessive or short in relation to market requirements. As the name indicates this device operates automatically to adjust class I prices either up or down when supplies get out of line with market requirements. The principle is quite similar to the variable support provisions contained in the act of 1949. Use of the supply-demand adjustment provision is of comparatively recent origin.

Prices for milk in classes other than class I are fixed on a formula basis which relates the prices for such milk to prices for manufactured dairy products, or to prices paid at dairy manufacturing plants for milk used in manufacturing. Consequently, the price to producers is a blend price which depends on the prices set for each of the different classes and the amount of milk in each class. These blend prices may be computed separately for each handler or may be computed for all of the handlers in the market, depending upon whether the market has an individual handler pool or a marketwide pool.

Many of the Federal milk orders contain provisions commonly known as compensatory payments. They are not included in orders which utilize the individual handler pool. These are payments which regulated milk distributors under a given order, must make to the market pool on the fluid milk they buy from nonregulated sources of supply. The amount of such payments is designed to insure that the cost of unregulated milk shall be equal to the cost of regulated milk, and insures uniform product cost between competing handlers. These provisions are among the most misunderstood and the most controversial of all the provisions included in Federal milk orders. They have been labeled trade barriers by some critics.

The use of compensatory payments is a comparatively new development in Federal milk orders. They have been referred to by some critics of Federal milk orders as a means whereby the fluid milk price in a given order may be protected at an abnormally high level, in that they discourage importation of outside milk through the assessment of an additional payment on such milk.

Proponents of the use of compensatory payments claim, among other things, that they are necessary in order to protect and make possible continued use of the classified price system.

Classified pricing plans for milk are well understood and almost universally accepted in fluid milk markets today. Classified pricing developed as an alternative to the old flat-price system of pricing milk. Pricing milk according to its utilization by the handler has proven over the years to be the most practical and equitable way in which to assure producers in a fluid milk market that they will receive a fair return for their product, bearing in mind the generally accepted view that producers are entitled to receive a higher price for milk that is used as fluid milk to compensate them for the cost of meeting

sanitary requirements and supplying market needs in the seasons when production is normally lower. This, of course, assumes the proper and adequate auditing of the records of all milk handlers.

Not only is a higher quality of milk required for bottling than for manufacturing purposes, but consumers require a constant year-round supply of fresh bottled milk, while manufactured dairy products may be stored for relatively long periods. It is quite generally accepted by authorities on fluid milk marketing that it would be very difficult, if not impossible, to maintain a dependable supply without the use of classified pricing. It is well recognized that it is to the best interest, not only of producers supplying fluid markets, but also to the interest of the markets as a whole to institute classified pricing.

It should be recognized that maintenance of classified pricing requires some time of regulation. If noncooperating buyers can purchase milk on a "flat price" basis at a level only slightly higher than the "blend price" paid by cooperating handlers, the result is that the "flat price" handler who buys only enough milk to meet his fluid requirements has a substantial competitive advantage due to his lower class I price.

The report of the Federal Milk Order Study Committee, appointed by the Secretary of Agriculture, includes a section on the movement of fluid milk and milk products into markets. Differences of opinion on compensatory payments among members proved to be irreconcilable with the result that this section includes two statements, one favoring compensatory payments and the other in opposition to them.

An examination of the arguments both for and against the use of compensatory payments in Federal orders indicates that justification for the inclusion of compensatory payments is largely a matter of opinion and that it is an extremely controversial question.

Milk marketing authorities quite generally agree that dependability of supply is not only desirable in a fluid milk market, but is of definite value to handlers and that recognition of this fact is a consideration in proper pricing of class I milk. Compensatory payments are not levied on such sources of supply as are willing to become a regular source of supply which is recognized under the order.

Mr. ABERNETHY. The testimony was offered here the other day that milk in rather remote sections was being shipped, I mean was being shipped into an area that operated under a milk marketing order, provided they became a regular supplier, that is that it could be a constant supplier. That is a fact.

Mr. HOOD. That is right.

Mr. ABERNETHY. Do I understand you to mean that may be done without making the compensatory payments?

Mr. HOOD. Yes. If a supply will come in the market and stay there throughout the year, compensatory payments do not apply. In other words, in a fluid market where you have wide fluctuations in prices I mean, in production, with a very heavy production in the flush months of the spring and very short supply in the fall, a dealer that is trying to supply milk for rather constant demand throughout the area, the milk must not only have been supplied during the periods when there is plenty of it but the people need it very badly in the months of short supply or short production. This agreement to supply the milk for the entire year rather than coming into the market and going out and then coming back, if a man will agree or a

plant will agree to come in for the period, then the compensatory payment does not apply. The compensatory payment is on an itinerant source coming in and not tying up the production over the period of time.

Mr. ABERNETHY. All right.

Mr. HOOD. From the evidence, it may be concluded that compensatory payment provision in some Federal orders constitute a deterrent to the interstate shipment of milk from a source which is willing to ship to a market only when the price is attractive but which reserves the right to play the field and withdraw its milk at any time that a more lucrative outlet beckons. Whether this represents a barrier is debatable.

Pricing of surplus milk: The second major criticism of Federal milk orders is that in some orders the price of milk used for manufactured products is set at a level which results in a wide margin, wide enough to permit handlers to price the end products of such operations below prices determined by the narrower margins common to manufactured-milk plants in the Middle West.

There is no conclusive evidence, either to support or disprove this criticism. Differences in the volume of milk available to manufactured milk plants in Federal order markets, seasonal variations in production, extended periods of time in which such plants are idle, or operating far below capacity because part or all of the milk supply is needed for class I purposes in the market, widely varying transportation costs, and so forth, all make it impossible to develop any formula for uniform pricing of milk going into manufactured products in the various Federal order markets throughout the country.

Admittedly, the proper pricing of milk used for manufactured products is a most difficult problem and one which must be watched very carefully.

A wide variation exists in prices being paid by manufactured milk plants in unregulated areas in the United States. There are many examples of plants far removed from Federal order markets where prices paid for manufacturing milk appear to be unduly low.

The third major criticism of Federal milk orders is that the price of class I milk in these orders has resulted in increased production in excess of production increases in nonregulated areas.

It might seem that a direct comparison between production in Federal order markets and production in nonregulated areas over a period of time would supply the answer, but data for such a comparison are both limited and inconclusive. There are very few such sources of information in nonregulated areas.

Receipts at plants included in a Federal marketing order do not necessarily accurately reflect changes in production by producers supplying the market. The report of the Federal Milk Order Study Committee includes the following statement with respect to this issue:

> There is little evidence that Federal orders have increased production more than has occurred in other markets or areas of the country. Due to shifting of plants and producers, the receipts of milk at plants subject to a Federal order do not necessarily reflect changes in area production. In the Northeast, which is the only area for which fairly comprehensive figures are available, total milk production in relation to class I utilization has not been as high as it was in the early forties.

Another approach by which to gage the fitness of Federal order pricing is a comparison of Federal order class I prices and nearly

class I prices. The report of the Federal Milk Order Study Committee comments on this as follows——

Mr. ABERNETHY. You refer to the Federal Milk Order Study Committee. Who established that committee?

Mr. HOOD. The Secretary of Agriculture. I believe this has already been put into the record. Report of the Federal Milk Order Study Committee. It is the agricultural study.

Mr. ABERNETHY. Has it concluded its work?

Mr. HOOD. I understand it has.

Mr. ABERNETHY. I will ask about that some other time.

Mr. HOOD. You understand this is background pretty largely for our own people to study the situation further. That is why we have included some of what is already in the report that you have received.

Boston and New York are Federal order markets. In the Northeast, Providence, Rochester, and Pittsburgh are markets in which class I prices are established by the respective State milk control agencies. The Boston and Providence milksheds overlap to some extent.

The Rochester milkshed is contiguous to New York. In certain areas in western Pennsylvania and Pittsburgh and New York milksheds are contiguous.

Mr. ABERNETHY. Those tables reflect that the consumer has been able to purchase milk at a cheaper price in the Federal marketing areas than in the non-Federal marketing areas.

Mr. HOOD. These are producer prices that we are listing and not consumer resale prices and we would have to go back to the records to find out what actually were the consumer prices over a period of time in those markets. You see, there is no resale price in your Federal order markets, but for a number of our State order markets there are consumer resale prices.

In 1941 the class I prices in the 3 State-regulated markets averaged $3.25, while the average for the 2 federally regulated markets, Boston and New York, was $2.70. The State-regulated markets exceeded the Federal by $0.55. The absolute difference between the two is not of special significance in this analysis. In this case, part of the difference is due to the fact that in the State-regulated markets the price is an f. o. b. city price, while for the Federal markets it is a price applicable in the 201–210 mile zone. For the period 1940–51 there was no persistent tendency for the margin between these two groups of markets to widen or to narrow. The State-regulated markets exceeded the Federal by a minimum of $0.23 and a maximum of $0.55. From 1951 to 1953 the average class I price in the State-regulated markets increased $0.12, while the average Federal class I price declined $0.41. In 1953 the State markets exceeded the Federal by $0.93. This was by far the widest margin on record, and more than double the average of the preceding 13 years, of $0.39.

A further comparison between class I prices in 6 non-Federal markets for the years 1940, 1945, and 1953 is included in the following table:

Fluid sales prices in 6 non-Federal markets, 3.5 percent butterfat basis, for the years 1940, 1945, and 1953

Market	1940	1945	1953
Baltimore	2.72	3.85	6.20
Des Moines	2.00	3.00	4.73
El Paso	2.04	3.70	6.65
Houston	2.65	3.72	6.71
Indianapolis	2.17	3.28	4.55
Washington, D. C	3.24	----------	6.60

Source: Fluid Milk and Cream Report, AMS. Compiled by the Standardization and Program Development Branch, Dairy Division, AMS.

Class I prices in 6 Federal order markets

Market	1940	1945	1953
New York	2.61	3.70	5.23
Boston	2.59	3.56	5.03
Chicago	1.94	3.30	4.16
St. Louis	2.26	3.55	4.80
New Orleans	2.13	3.38	6.00
Omaha	2.36	3.05	4.73

Source: Federal Order Market Administration.

The effect of freight rates on interstate movement of milk from Midwest to the East presents some information with regard to the effect of transportation charges in establishing barriers. Here again, it is interesting to refer to the report of the Federal Milk Order Study Committee.

Ordinarily there is little fluid milk shppped from the Midwest to the East. In the late forties, when Boston was short of milk, an emergency was declared and handlers were permitted to bring milk into the Boston market from plants outside the Boston milkshed. A considerable part of this "emergency milk" came from the Midwest.

In 1953 the Chicago class I price at Shawano, Wis., plus tank-car freight to Boston, averaged $5.73. At the same time, the Boston class I price in the 201–210 milk zone, plus freight to Boston, averaged $5.40. The Chicago order price in northern Wisconsin, plus freight to Boston, averaged $0.33 higher than the Boston price (table 1).

During the 2 years 1949 and 1950 the Boston price exceeded the Chicago price, plus freight, to Boston, by an average of $0.27 per hundredweight of 3.5 milk. In recent years the Chicago price, plus freight, has averaged higher than the Boston price, but there were individual months when the Boston price was the higher. These months were confined, generally, to the fall and winter (table 1).

In the above comparison it should be noted that Shawano, Wis., is on the northern edge of the Chicago milkshed and it carries a minus differential of $0.22 from the Chicago 70-mile zone price.

TABLE 1.—*Chicago class I price at Shawano, Wis., plus tank-car freight to Boston, and Boston class I price (201–210-mile zone) plus tank-car freight to Boston, 1940–54* [1]

[Dollars per 100 pounds 3.5 milk]

Year	Shawano f. o. b. Boston [2]	Boston f. o. b. Boston [3]	Shawano exceeds Boston	Year	Shawano f. o. b. Boston	Boston f. o. b. Boston	Shawano exceeds Boston
1940	$3.14	$2.86	$0.28	1947	$5.46	$5.25	$0.21
1941	3.57	2.94	.63	1948	6.34	6.02	.32
1942	3.96	3.42	.54	1949	5.42	5.67	−.25
1943	4.57	3.78	.79	1950	5.06	5.36	−.30
1944	4.58	3.84	.74	1951	5.77	5.81	−.04
1945	4.54	3.84	.70	1952	6.33	5.91	.42
1946	5.41	4.42	.99	1953	5.73	5.40	.33

[1] Data supplied by C. W. Swonger.
[2] Currently Chicago 70-mile price, less $0.22 to Shawano, plus $1.79 tank-car freight to Boston.
[3] Currently Boston 201–210-mile price, less 2 points butterfat, plus $0.38 tank-car freight to Boston.

TABLE 1.—*Chicago class I price at Shawano, Wis., plus tank-car freight to Boston, and Boston class I price (201–210-mile zone) plus tank-car freight to Boston, 1940–54* [1]—Continued

[Dollars per 100 pounds 3.5 milk]

SHAWANO PRICE F. O. B. BOSTON

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1951	$5.45	$5.71	$5.78	$5.85	$5.50	$5.44	$6.00	$5.96	$5.95	$5.89	$5.92	$5.83
1952	6.00	6.09	6.41	6.21	5.98	5.92	6.45	6.47	6.60	6.75	6.72	6.36
1953	6.08	5.88	5.83	5.77	5.34	5.34	5.81	5.77	5.78	5.79	5.83	5.47
1954	5.42	5.41	5.42	5.38								

BOSTON PRICE F. O. B. BOSTON

1951	5.62	5.62	5.62	5.63	5.63	5.41	5.63	5.85	5.85	6.29	6.28	6.27
1952	5.82	5.82	5.81	5.62	5.63	5.63	5.85	5.83	6.05	6.27	6.28	6.29
1953	5.86	5.86	5.42	4.77	4.77	4.77	4.99	5.20	5.64	5.86	5.86	5.87
1954	5.65	5.42	5.20	5.00	4.79							

MARGIN SHAWANO OVER BOSTON

1951	−0.17	0.09	0.16	0.22	−0.13	0.03	0.37	0.11	0.10	−0.40	−0.36	−0.44
1952	0.18	0.27	0.60	0.59	−0.35	0.29	0.60	0.64	0.55	0.48	0.44	0.07
1953	0.22	0.02	0.41	1.00	0.65	0.57	0.82	0.57	0.14	−0.07	−0.03	−0.40
1954	−0.23	−0.01	0.22	0.38	0.07							

[1] Data supplied by C. W. Swonger.

What this table tries to show is the relationship between what it costs to get milk from Wisconsin to Boston, taking Wisconsin price plus the freight and how that compares with the Boston price delivered to Boston, f. o. b. price Boston in both cases.

Mr. ABERNETHY. Can you summarize what those tables reflect?

Mr. HOOD. Generally, the tables reflect that the Wisconsin price plus freight brings a higher cost for milk in Boston than is the Boston delivered price. There are months and there are periods in the year when the other part is shown but it does bring out in the movement of milk from any distant area into these larger eastern markets there is a question of transportation. It is a very big item. In this case if I remember my figures, $1.79 a hundred to move milk from the Wisconsin point to Boston. For most of our eastern markets a figure close to that amount. That is one thing we have to take into consideration when we are thinking about the flow of milk from a distant manufacturing area into these large consumer markets where we have Federal orders and into places where we do not have them. That is about all the table purports to show.

Mr. LAIRD. Isn't it fair to point out you are using class I prices in that Shawano price?

Mr. HOOD. Yes.

Mr. LAIRD. But I mean you should point that out that you are using class I prices.

Mr. HOOD. But it is a source of milk that would qualify from the inspection standards presumably that they have. I mean it is pretty hard to take manufacturing milk and compare it with class I milk in the market.

Mr. LAIRD. But I think it is only fair to point out that these prices are not the prices that the majority of farmers in Shawano receive. It makes a very unfair comparison and is misleading to the farmer up

in Shawano County. You are using class I prices and I thought it should be pointed out.

Mr. HOOD. That is very true. We should have indicated that as we went along because we are subject to the same criticism in using a Boston class I price because the farmers supplying milk to the Boston market know they do not get that, either. We do in the heading say "Shawano County class I price." Then the class I price at Boston. It probably should have had additional emphasis.

1. Milk is a product which lends itself to regulation. Because it is perishable, and has wide use as a nutritious and protective food, it is surrounded with regulations. The production, processing, and distribution of milk is subjected to sanitary standards and other rigid controls. Such regulation is generally accepted as being in the public interest.

2. Federal milk orders have been developed over a 22-year period and have now reached the status of a control program quite generally accepted and looked upon as a permanent part of fluid milk marketing.

3. Federal milk orders are authorized under the Agricultural Marketing Agreement Act of 1937. They grew out of demoralized conditions in milk markets occurring during the depression years when producer prices were completely unrealistic.

4. Classified milk pricing as an accepted method for providing the most satisfactory returns to producers on fluid milk markets was developed before the institution of Federal milk orders.

5. Stability of prices within fluid milk markets requires what might be termed some rules and an umpire in the interests of both producers and consumers.

6. Determination of prices, based on a record of testimony prescribed in public hearings presided over by a Government representative, has much to recommend it for a product such as milk which is characterized by perishability, seasonal fluctuations in supply, and the need for some kind of continuing arrangement between producers and handlers.

7. Federal orders are optional with producers operating in a market and must be terminated if a majority of the producers in a market favor termination.

8. No order applicable to milk in a market area may prohibit or in any manner limit the marketing in that area of any milk or product thereof produced in any production area in the United States.

9. Milk under regulation in a Federal order must be priced at levels which are determined to reasonably reflect economic conditions, to assure an adequate supply and be in the public interest.

10. Use of compensatory payments is based on the belief: (1) that they are necessary to the maintenance of a classified pricing program in connection with marketwide pools; and (2) that a fluid-milk supply, because of the perishability of the product and the sanitary standards surrounding the production and distribution of fluid milk, and because it is in the public interest, should be an assured supply rather than an intermittent one.

11. Compensatory payments are not levied against sources which are willing to become a part of a regular market supply and to assume the responsibilities of such a supply. Federal orders contain no barriers against shipments of milk under the above-named conditions.

12. There is little evidence to show that production of milk in Federal order markets has increased more rapidly than production of milk in unregulated areas.

13. Prices are not rigid.

14. It seems doubtful that termination of all Federal orders would result in any appreciable increase in interstate shipments of milk.

15. The Federal order program is not perfect. Mistakes have been made which indicate a need for more careful consideration of the pricing provisions, but in general, Federal orders have served a useful purpose. Federal milk orders should be periodically reappraised from the standpoint of possible improvement rather than complete condemnation.

In closing, may we assure you that the American Farm Bureau Federation is interested in improving the operations of Federal milk marketing orders. If it can be demonstrated that changes are necessary in order to promote the welfare of dairymen and the general public, we will be happy to study the facts and make appropriate recommendations.

I have on the back 2 maps, 1 indicating where the Federal order markets are, and those that are contemplated, and a second map indicating where we have State controls. For purpose of reference, we would like to have these included in the record.

Mr. ABERNETHY. All right, sir.

(The maps appear on pp. 194 and 195.)

Mr. ABERNETHY. Mr. Polk?

Mr. POLK. Mr. Hood, you have made a fine statement and I heartily agreed with the conclusions to which you have come with reference to the value of the Federal milk order program. I represent the State of Ohio; as you know, we have nine Federal orders operating in Ohio, and that is more than any other State, I believe.

And the people that I represent have led me to believe that they feel that your Federal milk order program would be very seriously handicapped or probably eliminated if we should enact such legislation as is contemplated in H. R. 119 and its companion bill.

I am wondering if you would care to discuss that. I realize that you have not been called here this morning to discuss the technical bills. I am wondering if you have made any study of that question as to the effect of this proposed legislation on the Federal order program.

Mr. HOOD. We are in the middle of this study and on this point we have not had an opportunity to go into that thoroughly and at the moment we have no position as an organization. We have reserved the right later on if this hearing continues, if we find additional information from our deliberations that will be helpful to the committee, to bring it to you but on this point now we have not made the analysis.

We assume this will be the subject of another hearing. We will be prepared to present our recommendations at that time.

Mr. ABERNETHY. All right, sir.

Mr. LAIRD. In your statement you state that in shipping milk into a given Federal-order territory, there is no barrier if he wants to come under the regulations of that market. Isn't it true that in some of the orders the producer definition relates back to the sanitary code that is set up in the local market?

Mr. HOOD. You brought up a very interesting point. When we are talking about any area getting into a fluid market, the barrier of transportation is one which you have to put the pencil on just how much it will cost.

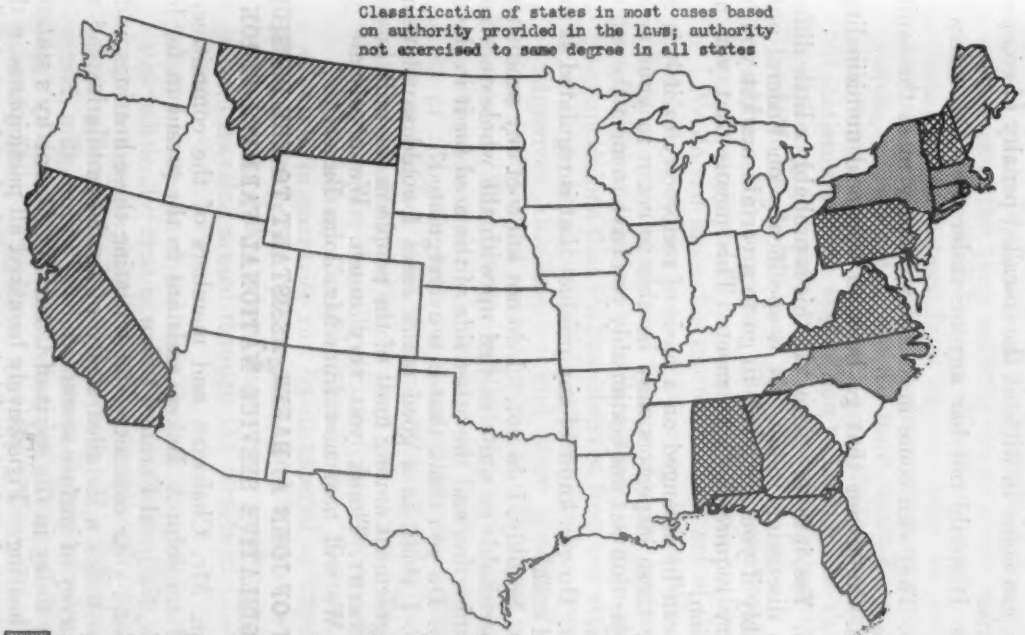
Milk Marketing Agreement and Order Programs as of January 1, 1955

Actions since June 30, 1954

New orders put into effect	4
Total orders in effect	55
Amendment to existing orders	24
New markets considered	6

Source: Dairy Division, Agricultural Marketing Service, United States Department of Agriculture.

Geography of Market Milk Prices Regulation by State Agencies, April 1954


Classification of states in most cases based on authority provided in the laws; authority not exercised to same degree in all states
Authority to fix minimum prices at producer level
Authority to fix minimum prices at producer and resale levels
Authority to fix minimum and maximum prices at producer and resale levels

Source: From "A Report on Economic Considerations of the Market Milk Situation in Ohio," by C. W. Pierce and W. T. Butz.

Another barrier if you want to consider it that, is the whole question of meeting the inspection that is required for that particular market. In many cases they are fairly high. And then also you have the very real problem of finding somebody that wants your milk. But as far as the Federal order is concerned, any plant or producer that wants to come in as a permanent part of the market to stay in throughout the year, can come in without the so-called penalty of compensatory payments.

Mr. LAIRD. It would not bar anyone under the 1954 orders that we have?

Mr. HOOD. They can come in as I say, if they meet the sanitary requirements.

Mr. LAIRD. Could not that go back to the local municipality or the State?

Mr. HOOD. Yes, it does. After all, this is probably a little different than we are discussing today. It is specifically on Federal orders. Unquestionably if you are going to go to a certain market you have those sanitary requirements to meet. This means that you must have inspection.

Maybe it can be arranged on a basis of reciprocity or if it is large enough, why these inspectors may be able to come to your area to make the inspection but unquestionably you have to meet the sanitary requirements.

Mr. LAIRD. Do you know of any product that is regulated as much as milk, fluid milk?

Mr. HOOD. Frankly, I do not. I do not know of any product that is quite as perishable or quite as tied up with the whole question of health contamination and the other side of the need for it in the diet.

Mr. LAIRD. Do you think that it is overregulated?

Mr. HOOD. I think in a good many cases I could say I think I would find agreement among most of the people in the milk business.

Mr. ABERNETHY. Thank you very much. We appreciate your statement. We will hear now from Mr. John Baker.

STATEMENT OF JOHN A. BAKER, ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE SERVICE NATIONAL FARMERS UNION

Mr. BAKER. Mr. Chairman and members of the committee, for the record, I am John A. Baker, assistant to the president for legislative service, National Farmers Union.

We commend your committee for initiating these hearings and for your plan to make a detailed study of fundamentals instead of a superficial survey of surface semantics.

We appear today in the spirit of Chairman Abernethy's statement opening this hearing. Figuratively he asked all participants in these first phases of your hearings to check their political and organizational guns at the door on the way in. And to confine our statements to matters of noncontroversial facts and reason. We are here today to give you a brief progress report on our dairy-research project which is still under way.

The board of directors of National Farmers Union, composed of all the State presidents, authorized the initiation of a comprehensive scientific study of the economic problems of milk and their solutions. We went into this study realizing that it was a long-term venture.

Our purpose was not to make a dramatic splash of sensational charges against the economic institutions that generations of dairy farmers and their leaders in cooperation of public-spirited people have hammered out on the anvil of experience, negotiation, and the democratic spirit of conciliation and compromise. Nor do we believe that the economic problems of milk can be solved through reliance upon the theories and methods of classical economics and superficial statistics.

The problems of the dairy industry are problems of human institutions and involve the consideration of possible improvements in those institutions that have been built up over time as people sought to meet their needs and attain their aspirations through laws, organization, custom, and cooperation. To move toward an understanding of possible improvements requires a great deal more than the accumulation of statistics and the application to them of the theoretical ideas used by emerging industrialists in their fight against the restrictions of mercantilism nearly 200 years ago.

Our study is still in progress. Thus far we have completed no more than the exploratory phases required to set up the outlines of the study proper. We do not have this morning a neat set of tables or a neat list of conclusions to give you. Rather we shall outline for you some of the human and institutional factors that we are convinced must be given full consideration in such a study and to share with you tentative conclusions that we have derived from our study up to date.

First, milk is unquestionably in politics and has been for over 100 years. Moreover, this has by and large generated good results, rather than bad, for the general public as well as for milk-producing family farmers. This is not surprising because in a democracy, politics includes everyone and deals with every facet of life. If the milk problems of the past had not been solved by political processes, consumers would not have the bountiful supply of sanitary milk at relatively reasonable retail prices they now enjoy. To know this one need only to compare the milk situation in western democracies such as the United States, Canada, Scandinavia, Switzerland with the dairy situation in countries run by dictatorial or imperial principles over the past 100 years. Or closer to home most of us can remember the time of milk strikes when many dairy producers, handlers, and distributors traveled armed through the streets of Chicago in bullet-proof cars.

Second, we are convinced that the current problems of milk must be solved politically, that is to say legislatively. The iconoclasts and radicals who propose sensational propositions of returning to a free market in milk are almost surely wrong. Looked at from the consumer end, milk and its products are in the nature of a public utility. Milk and its distribution in sanitary condition, is that important to the general public. Therefore, we cannot view with alarm nor point an accusing finger at consumers and their representatives in city and State government who, in the absence of Federal inspection and standards, have acted to protect their ability to insure a continuous supply of sanitary high quality milk, cream and products at reasonable prices. We feel that the general public has been correct in insisting that milk production and distribution not be left entirely to the free market. From the strictly consumer standpoint there are three factors here: obtaining disease-free milk and products, assuming continuous ample supply and maintaining reasonable retail prices.

Third, our exploratory studies lead us to the tentative conclusion that local and State control over sanitation and disease prevention related to milk and its products may be out-dated. Moreover, we have seen no conclusive evidence that the health of the American people would be endangered by the substitution of Federal milk-purity standards and inspection for existing varying local and State regulations. However, we do not want precipitious action to be taken that might endanger the Nation's health; we hope that your committee will obtain the expert testimony of recognized scientific authorities on this subject so the Nation can learn the factual situation in this regard. We, also, have been advised that adoption of Federal sanitary regulations would require adoption of a constitutional amendment rather than a regular law.

Fourth, dairy farmers, like farmers generally, as owners and managers of small competitive free private enterprises in a large industry where, by its nature, the processing and distribution of milk and its products is characterized by a small number of firms, both in local situations and nationally. This structure of the industry would in an otherwise unregulated free market provide the basis for a degree of monopsonistic control by handlers as sellers and of monopsonistic control as buyers through the medium of administered prices. This in turn means that dairy farmers, as sellers, in a market of monopsonistic buyers find themselves at a distinct bargaining disadvantage. To overcome this bargaining disadvantage, milk farmers have used their State and Federal Governments to acquire what Professor Galbraith of Harvard University has called countervailing bargaining power. These have taken the form of the economic aspects of city sanitary regulations, of State price regulatory laws and the Federal milk marketing orders and dairy price support programs.

Fifth, our exploratory study indicates that most, if not all, of the economic, or price and supply affecting aspects of city milk sanitary regulations were adopted prior to and in the absence of State and Federal programs designed to even-up the bargaining power of milk producers. And, further, that these have been continued over recent years primarily because of milk producers' uncertainty and fears that the Federal programs may not be permanent or fully protective.

Sixth, our exploratory study, also, indicates that the same observation is probably true with respect to State milk price and supply regulations.

Seventh, we have seen no conclusive evidence that indicates that all dairy farmers generally have benefited from State and local economic milk regulations. Many milk producers have benefited but many have not. The point here is that such local and State programs help some but not all dairy farmers. Tentatively, we can say that the local and State regulations appear to have resulted in somewhat restricted supplies of fluid milk to consumers at somewhat higher than necessary retail prices. How much of this is due to the effects of local and State government regulation and how much to the monopolistic character of the milk-handling industry in local areas, we have not yet been able to determine. We, also, have seen some evidence that indicates that these local and State regulations result in raising barriers against farmers who wish to become producers for the fluid market. They may, thus, have contributed to some extent to lower incomes of milk producers who have not been able to "invade" the fluid market.

Eighth, Federal milk market orders are designed to insert order and morality into fluid milk handling and distribution to replace chaos and instability as well as to even up the milk producers bargaining position so as to raise his income. Our study already conclusively indicates that milk marketing orders have fulfilled the first function, that order and stability has been brought to the handling and distribution of fluid milk and cream. Thus far we have completed no more than the exploratory phases required to set up the outlines of the study we plan to make.

As to the other function, we have seen no conclusive evidence that, under the circumstances and considering all of them, that milk market orders have very greatly reduced the supply of fluid milk to city consumers nor appreciably raised the retail price. Moreover, we have seen no conclusive or impelling evidence that milk market orders have benefited some milk producers at the expense of others, either in the neighborhood or in more distant areas. We do not wish to add cumulative testimony to that presented by H. L. Forest of the Department of Agriculture on this specific point but to associate ourselves with it. Dr. John D. Black of Harvard University who has studied this carefully tells us, as Mr. Forest did, that the cost of freight and transportation are so high that they, and not Federal milk market orders, have prevented the large interstate shipment of fluid milk. We have not completed our own study on this score and wish to keep an open mind in relation to it.

Our study does indicate that a substantial effort has been made by political elements opposed to price supports to drive demagogic wedges between dairy farmers who live in one area and those who live in other areas. Our study indicates that this effort is designed to discredit the idea that farmers and consumers can use Government to acquire countervailing bargaining or market power in relation to monopolistic-type middlemen.

In addition, we have specific evidence of several constructive efforts to work out this problem. To cite one, Governor Harriman of New York and Governor Freeman of Minnesota have been in contact on this and in early May will initiate a series of discussions designed to lead to a friendly accommodation and mutual solution to New York and Minnesota milk problems.

Moreover, they have directed their respective commissioners of agriculture, Daniel J. Carey and Barney Allen, to work cooperatively in this direction. Having accepted the invitation of Senator Humphrey to use his office, they will meet on May 5 to work out a solution that will—to quote Senator Humphrey's invitation—

> develop a solution to the dairy problem that will be just and fair to Midwest dairy farmers, to eastern dairy farmers, and to consumers.

Ninth, our study already shows conclusively that the local and State regulations in combination with Federal milk orders, even if improved in various ways, provide only incomplete protection even to milk producers who participate in milk order markets and none at all to milk producers outside such areas. The former is true because only the class I milk price is protected by a Federal order. All milk produced in addition to the amount that handlers will buy at the class I price must be sold by producers at what in the absence of a Federal price support program amounts to a free market price for butterfat and milk that goes into production of butter, cheese, nonfat

dry milk, and other products. Many farmers, of course, sell all their milk for fluid use in markets still unprotected by a Federal market order. This means that both those milk producers outside market order areas and those inside them must for protection look to the Federal price support programs, the former for all their countervailing market power and the latter for a critical marginal part.

It is a matter of deep faith and conviction among Farmers Union members and officials that a gallon of good highly nutritious milk is worth every bit as much as the full parity price thereof, and that the families who produce milk deserve and have a right to Government programs to protect a gross return on milk and butterfat equivalent to the parity price. Our study of the situation indicates that market milk orders probably cannot in our lifetime, anyway, ever be an adequate complete substitute for an adequate milk and butterfat price-support program. Federal milk orders, however, do not detract from the social and economic usefulness of milk price supports and are in themselves useful.

Tenth, and this is the final point we want to make at this stage of your hearings, our study indicates that retail fluid market prices of milk are higher than they need to be, while at the same time the returns received for milk production by farmers both inside and outside Federal order areas is lower than is consistent with healthy farm family life and a continuous ample production of milk. This situation is true our study indicates because:

(*a*) The national economy is still stagnating in spite of recent increases in business activity and incomes (this indicates a need for further efforts to promote an expanding full employment economy):

(*b*) Not all potential fluid milk and milk product consumers are able to buy all the milk and products they need for good nutrition (this indicates the need for a national food allotment or stamp or certificate plan in addition to the expanded fluid milk for schools program and similar efforts);

(*c*) The retail prices of fluid milk and products are higher than the level which will allow the total production to clear the market at 100 percent of parity prices (this seems to indicate the need to authorize the production payment method of support as has been applied to sugar and wool); and

(*d*) Our inquiries among farmers and their families indicate a line of reasoning about as follows: After we've done everything we can to see to it that all the American people are able to obtain all the milk they need for good nutrition within their purchasing power, then when we have done all this, we do not believe that farmers should waste their time, energy, and resources to produce milk that cannot be sold at a price that will keep dairy farm families from going bankrupt. Our tentative conclusion is that milk farmers would prefer production control of the marketing quota type combined with production payment price support program as a desirable alternative to disastrously low support levels.

Our study of the dairy problem has progressed along the lines stated in the beginning of this statement. We did not start out thinking we knew all the answers. We knew we didn't. One of our first actions was to ask milk producers from all over the country to meet with us and discuss their problems. This they did, about 1,200 of them, at Madison, Wis., a year ago in January. Most of those who

attended were not Farmers Union members, and they were from both political parties. After 3 days of discussion among themselves they adopted the attached statement which I ask be made a part of the record of these hearings immediately following my oral statement. The statement adopted by about 1,200 dairy farmers from all sections of the United States formed the basis for the study we now have underway and do not expect to have completed for several years.

Mr. Chairman, again let me commend the committee for the scholarly manner and statesmanlike way in which you are going about these hearings. The information you are pulling together will help all of us to make more fully considered statements to you when you reach that stage in your hearings when you wish to have us present our specific recommendations for legislative action.

(Exhibit A submitted by Mr. Baker is as follows:)

EXHIBIT A. ACTION PROGRAM STATEMENT ADOPTED BY THE NATIONAL FARMERS UNION DAIRY PRODUCERS CONFERENCE IN MADISON, WIS., JANUARY 22–23, 1954

A continuing increased production of milk and the food products manufactured from it must be maintained each year if the increasing population of the United States is to have a nutritionally adequate diet. Dairy farmers are willing and capable of producing a continuing abundance of milk and its products at reasonable prices for American consumers; provided educational research and other services, and income from production and sale of milk and butterfat, are sufficient to enable them to stay in business and earn farm family incomes equivalent to those earned by other segments of the population.

We dairy farmers assembled at the National Dairy Producers Conference at Madison, Wis., on January 22 and 23, 1954, do hereby adopt the following program statement:

1. We urge enactment by Congress of an amendment to the Agricultural Act of 1949 that will direct the Secretary of Agriculture to support the prices of milk, butterfat, and its products at 100 percent of parity and that will authorize the Secretary to utilize parity production payments to farmers, in combination with other approved methods of support.

2. We urge the Secretary of Agriculture to announce now his official and definite decision to extend the present dairy price support program at a minimum of 90 percent of parity.

3. We urge the United States Department of Agriculture to revise the procedures currently utilized in the administration of the dairy price support program so that the announced level of supports will be actually reflected to dairy farmers in all sections of the country rather than the less than 85 percent supports now received in many areas.

4. We urge that a revised parity formula be adopted so that the calculated parity price for milk producers in different areas will reflect an economic balance with the rest of the economy.

5. We are opposed to enactment of sliding scale, variable, or flexible price support levels for any farm commodity. We urge all dairy farmers to join forces with farmers who produce other commodities in the interest of enactment of a sound, fully adequate price support program.

6. We favor the enactment of an expanded agricultural conservation practices program with sufficient funds to make payments to wheat, corn, cotton, and other producers who put their diverted acres into soil-building annual crops, developing a national soil fertility security reserve rather than using such land for commercial production.

7. We recognize that American consumers cannot maintain and increase their purchases of milk and its products unless they have adequate incomes. Therefore, we urge adoption by business, industry, and government of economic policies that will promote and encourage national economic expansion at a rate sufficient to maintain prosperous full employment with increased productivity per man, and increased consumption at a rate sufficient to balance expanding production.

8. We urge adoption of special means and programs to enable low-income consumers and relief recipients to increase their purchases of milk and its products through regular channels of trade up to a desirable nutritional standard. Addi-

tionally, we urge increased use of milk and its products by the United States Armed Forces, in public welfare institutions, and in the school lunch program.

9. We urge the establishment of a security stockpile of milk products under provisions of the critical and strategic Materials Stockpile Act, such commodities to be purchased in the market, or from Commodity Credit Corporation, at prices provided for disposition of Government-held commodities in section 403 of the Agricultural Act of 1949, including provisions for adequate civil defense needs.

10. We urge the adoption of import and export policies under negotiated international agreements, so that imports of milk and its products will not reduce returns to American dairy farmers below 100 percent of the parity price, and that export markets for United States milk products will be expanded. To the extent that our Government believes that it is in the national interest to promote two-way trade by accepting imports of agricultural commodities that compete with commodities produced on American farms, farmers, should not be required to bear the cost; rather this cost should be borne by the entire Nation.

11. Other suggestions recommended for increasing the consumption of milk and its products are—

A. A strengthened educational program to inform consumers of the dietary merits of dairy products, to be carried on through producer and industry-financed advertising programs, educational courses in the public schools, improved grading procedures to make high quality more readily recognizable by consumers, and legal protection against false or misleading labeling or advertising of competitive and imitation products.

B. Inasmuch as it is clearly demonstrated that increasing the purchasing power of lower-income families results in their increased consumption of dairy products, while equal increases in incomes of higher-income groups does not, we recommend: That any tax reduction made by Federal or State governments should be tailored to benefit low-income families, preferably by raising the personal exemption; that the legal minimum wage should be raised and extended to additional workers, including agricultural workers; that benefits should be increased, and coverage extended to additional workers, including agricultural workers, of unemployment insurance and workmen's disability programs, that social security benefits be increased and extended to additional workers, including agricultural workers and family-farm operators.

C. Intensified research on marketing and transportation procedures to develop more attractive and appealing products, lower-cost distribution methods, and more effective sales programs to move a greater volume of dairy products at fair prices.

D. Encouragement of action by consumers to achieve more efficient and lower-cost distribution of dairy products at prices fair both to farmers and to consumers through the development of consumer cooperatives able to join with producer cooperatives in establishing a nonprofit yardstick for the handling of milk and its products all the way from the producer to the consumer.

E. A broad public appeal to industry, business, and trade unions to raise wages out of profits without increasing prices, so as to keep purchasing power rising fast enough to balance increasing productivity per man.

12. We urge adoption of Federal legislation to authorize accelerated depreciation for tax purposes and a capital credit program to enable dairy producers' cooperatives and other privately owned dairy processing plants to replace obsolescent plant facilities with modern flexible multiple-purpose dairy plants.

13. We urge enactment by Congress of a loan and service agency and program similar to the cooperative rural electrification program of REA, to assist in the establishment of a nationwide system of dairy marketing and processing cooperatives.

14. We urge dairy farmers to explore the possibilities of setting up national or regional dairy marketing organizations.

15. We urge increased appropriations for research in dairy merchandising.

16. We urge the Congress to increase appropriations for the school lunch program in order to increase the use of dairy products, and we recommend that purchases be made from local sources to insure better quality.

17. We urge that milk marketing orders be continued and since milk distribution is now regional instead of local. that Federal orders should be reexamined for their effect on the transfer of milk from one local market to another, and their effect on the locations of production.

18. We urge that costs of distributing dairy products be investigated and appropriate legislation be enacted to insure producers of receiving a fair share of the consumers' dollar.

19. We recommend the establishment of a national grading system for butter and cheese, and that such products be grade labeled in terms understandable to consumers.

20. We ask Congress to enact legislation directing the Armed Forces to use butter and milk products; that farmers and processors make every possible effort to see that such butter and other products are of high quality, and we urge that the Armed Forces use sufficient care in transportation and handling of such products that their high quality is preserved up to the point of consumption.

21. To facilitate product quality improvement, we recommend (*a*) better coordination of State standards of sanitation and quality inspection across State lines, and that the United States Department of Agriculture engage in activities to bring about this coordination; (*b*) that the Federal Government assume a greater responsibility in setting standards and promoting the eradication of Bangs disease and tuberculosis; (*c*) that the Federal appropriation required to support the $25 and $50 indemnity be restored; and (*d*) that the grade of milk be determined on the basis of flavor, sediment, and bacterial count in addition to the physical surroundings.

22. We recommend appropriation of greater funds for public and private, including cooperative, research and educational activities designed to discover and encourage the adoption of improved dairy farm management techniques that will reduce the costs of milk production and improve the quality of milk when it leaves the farm. We urge every dairy farmer to avail himself fully of every such service and to adopt such of the improved practices as are adapted to his farm and within his financial resources.

23. In connection with use of parity production payments as a method of supporting the returns from the sale of milk, butterfat, and other perishables, we favor placing a maximum limitation upon the amount of such payments that can be earned by an individual farmer in a single year at the following level:

> An individual farmer would be authorized to earn a production payment only upon each unit of the commodity he produces and sells up to a volume of sales so that the total received from sales plus payments would be not more than $25,000 for farms, with average farm-cost-gross income ratios, or its net income equivalent for types of farms where the ratio of farm costs to farm gross income is greater than under average farm conditions.

24. We wish to express our appreciation to the National Farmers Union for sponsoring this conference which has given dairy farmers from all over the Nation an opportunity to meet together, discuss mutual problems, and to develop this statement of a practical and commonsense program of action in order to approach a solution for these problems.

Mr. ABERNETHY. Are there any questions?

I would like to ask you one question, sir. At the bottom of page 7 you refer to production controls that would have to be handled through production marketing. Do you think that sort of a program would be a satisfactory one or would be acceptable to the majority of the dairy farmers?

Mr. BAKER. I can only say that the last 6 months every dairy farmer that I have asked and every representative of dairy farmers that I have personally asked that question have all answered, yes.

Obviously, I have not talked to all 3 million farmers in the United States that produce milk, but without exception they have all from Ohio, Wisconsin, Oregon, Minnesota, Arkansas, Oklahoma, different ones that I have talked to, and in Illinois, have answered your question in the affirmative.

Mr. ABERNETHY. From these so-called surplus producing areas do they not come from there?

Mr. BAKER. All of the areas in the United States are so-called surplus producing areas because in the New York market Dan Carey told me the other day that somewhere between 50 and 60 percent of their milk that comes into that market is overrun milk and, therefore, their blended price is quite right for the farmers in that market from the so-called class I price.

Mr. ABERNETHY. The controlled marketing program we have today, the production program which is handled through quotas, requires that the program must be approved by two-thirds, I think it is.

Mr. BAKER. Yes, sir.

Mr. ABERNETHY. Could you say whether or not you believe that two-thirds of the dairy farmers would support such a program?

Mr. BAKER. I believe in such a referendum that two-thirds of the dairy farmers in the United States with more than 5 cows or more than 3 cows would vote "yes" in a referendum on a regulation of the type set up in Congressman Johnson's bill. I believe they would.

Mr. JOHNSON. I introduced H. R. 4360 with that idea in mind, in finding out what the farmers of the country wanted. I have had letters coming in pro and con on that from my district especially. A large percentage of them coming in are in favor of it. But I think from my observation that it will take quite a little educational work. People have to know about the program more than they do at present.

Mr. BAKER. Actually under the definitions of your bill there is not any such cut contemplated in milk production as peanut producers, for example, have already accepted since 1946. Peanut producers have taken 59 percent cut. Cotton producers something like 35 percent.

Mr. ABERNETHY. You can put the acre over to some other crop than peanuts. You cannot do that with a cow.

Mr. BAKER. No.

Mr. LAIRD. I would just like to comment on that. I have talked with Lester about this. I sent out a little poll in my district to every farm in which I asked that particular question with regard to production controls. I have received 5,223 replies from farmers. It is running now 3 to 1 against putting milk under production quotas.

Mr. BAKER. Before one could interpret the results of a questionnaire on any subject, and particularly on the subject such as this one, we would have to analyze the way in which the question was worded, the manner in which the sample was selected to which it was sent.

Mr. LAIRD. I think I talked to you about it.

Mr. JOHNSON. I saw the question.

Mr. LAIRD. Lester told me when he introduced the bill that he wanted to test public sentiment on it.

Mr. JOHNSON. At the time I introduced the bill your questionnaire already had gone out but, as I remember it, the questionnaire was fairly well loaded. I cannot recall the question now.

Mr. LAIRD. The question asked of the farmer was if he would favor, in order to receive high mandatory price supports, accepting production controls.

Mr. JOHNSON. It was not that question. It was the first question which was slanted to get a "yes" answer, and I quote:

> We should have a flexible support program on the so-called basic commodities comparable to the flexible support program under which dairy products have been supported without production controls since 1939 * * *.

Mr. LAIRD. I am only talking about the question so far as production controls are concerned. I think that was quite definite.

Mr. BAKER. Most of us would say that both the question that follows and that precedes has an influence on the way people answer given questions in any given questionnaire.

Mr. LAIRD. It is very difficult to make up a questionnaire.

Mr. BAKER. It is very difficult.

Mr. LAIRD. I tried to have people look it over whom I thought could tell me whether they thought it was fairly worded or not. I think that Mr. Groves, president of the Wisconsin Pure Milk Products Cooperative, looked it over. I tried to be fair in the wording of questionnaire. It is difficult to know.

Mr. BAKER. If you have any expert advice, I would like to have it.

Mr. LAIRD. I let a public-relations firm look over the questionnaires to see that the questions were worded properly so that I could not be accused of loading in question. I wanted information.

Mr. BAKER. I doubt really, for example in these regular market milk orders, if you were to ask a blunt question of the type you just asked, whether they would accept quotas in order to sell some of their milk at class I prices; most of these farmers probably catching a questionnaire cold would say "no." Yet time after time after time two-thirds or three-fourths of them vote "yes" in referendums on the basis of understanding all of the issues involved.

I merely point that out as a precaution on too easy acceptance of any particular questionnaire poll results. In addition to the other things, you need to make a very careful study of which kind of folks answered your poll.

Although you may have sent your questionnaires to everybody, you need to see whether there is a biasing factor as to who answered and who did not. It might be that only those that like the color of Congressman Laird's tie answered the questionnaires and sent them back or only the people that have been to meetings and heard you make a speech sent them back. In all of these polling techniques when they really try to be scientific about it, they go out and ask this fellow, find out what kind did not send the questionnaire as compared with the ones that did send it back to see whether they got a biased sample or not.

Mr. LAIRD. That could be easily checked. The vast majority are signed. I have them all in my office.

Mr. ABERNETHY. If there are no further questions, the committee will stand adjourned until 10 o'clock tomorrow morning.

Mr. BAKER. Thank you.

(At 12:45 p. m. the subcommittee recessed to reconvene at 10 a. m., Wednesday, April 27, 1955.)

STUDY OF THE DAIRY INDUSTRY

WEDNESDAY, APRIL 27, 1955

HOUSE OF REPRESENTATIVES,
COMMODITY SUBCOMMITTEE ON DAIRY PRODUCTS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D. C.

The Commodity Subcommittee met, pursuant to adjournment, in room 1310, New House Office Building, Hon. Thomas G. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy (presiding), Polk, Johnson, Knutson, Andresen, Williams, and Laird.

Also present: Congressmen Watts and Jennings, and John Heimburger, counsel.

Mr. ABERNETHY. The committee will come to order.

We have convened this morning for the purpose of hearing Dr. Stewart Johnson, a professor of agricultural economics, University of Connecticut.

Dr. Johnson, you may have a seat at the witness table there. May I say that we appreciate your appearance. We would be delighted to hear from you at this time.

STATEMENT OF STEWART JOHNSON, PROFESSOR OF AGRICULTURAL ECONOMICS, UNIVERSITY OF CONNECTICUT

Mr. JOHNSON. I have copies of a prepared statement and have some tables that accompany the first part.

Mr. ABERNETHY. Thank you very much. You may proceed.

Mr. JOHNSON. I am employed at the University of Connecticut as professor of agricultural economics. My first 21 years were spent in Wisconsin, where I grew up on a dairy farm and graduated from the State University. Since 1936, I have been employed in the Northeast, first at the University of Vermont, later at Cornell University in New York, and later still at the University of Connecticut. During these past 19 years I have been working primarily on the economics of dairy marketing. I have served on several committees assigned milk marketing problems, including the committee which developed the price formula currently in use in the New York market. In 1952 on sabbatic leave of absence, I made a 6-month study of milk marketing in Great Britain.

My purpose today is to present factual material concerning the economics of the dairy industry, grouped under three major headings. The first of these is production and consumption trends.

1. Production and consumption trends—Changes in milk production by States: Sometimes you get the impression that milk production is like the water in the Mississippi River—that it "just goes rolling along," regardless of price and other causal factors. A quick

look at what has happened during the past 15 years would suffice, however, to dispel this impression—table 1.

Between 1938–40 and 1954, milk production increased 92 percent in Florida, 64 percent in Maryland, 51 percent in California, 50 percent in Delaware, and 39 percent in Virginia. In all five of these States, the number of people increased much more than the national average. Large production increases in some of these States were needed to supply fresh fluid milk for a growing population.

The large increases in some other States apparently were due to a growing realization of the dairy potential existing in the area. Tennessee and North Carolina are examples.

Wisconsin, the leading dairy State before World War II, specialized even more, in the intervening years, with a 36 percent increase as contrasted to 15 percent for the country as a whole.

Among the 24 States which had the greatest percentage increases were only 3 from the Northeast. Pennsylvania was 8th, New York was 14th, and Vermont was 20th in rates of increase.

The long list of States where less milk was produced in 1954 than in 1938–40 is surprising. Despite a population increase in the United States of 23 percent during this period, 14 States produced less milk. Of these, the most important dairy States were Iowa, where dairymen turned to corn and hogs, and Texas, where dairymen turned to cattle, cotton, and cash grains. The other States with less production in 1954 than in 1938–40 were in the Great Plains or Rocky Mountain areas, plus Oregon and Washington on the west coast.

In total, the Mississippi River may be rolling along, all right, but with a 92 percent increase in milk production in Florida and a 25 percent decrease in milk production in Texas, you cannot say the same for each of its 48 tributaries.

2. Changes in milk production by regions: The same data by State groups. The largest percentage increase between 1938–40 and 1954 was in the South Atlantic States, with an increase of 33 percent.

The increase was 26 percent in the North Atlantic States. It was nearly the same, 24 percent, in the East North Central States. Even though percentage increases were similar in these 2 areas, the absolute increase was much greater in the East North Central States, more than 7 billion pounds as compared with less than 5 billion.

Production decreased in the West North Central States by 1 percent. It increased only 2 percent in the South Central States, and 4 percent in the Mountain States. With many farmers in these areas able to make a good living from wheat, cotton, corn, hogs, and cattle in the 1940's and early 1950's, apparently the opportunity was welcomed not to be tied down to twice-a-day milking.

3. Allocation to States of the 1952–54 production increase: Milk production and consumption were about in balance in 1952 at the prices then prevailing. Not until November of that year did the Government begin to buy butter.

But between 1952 and 1954, milk production expanded sharply. The increase from 1952 to 1953 was 5 percent. From 1953 to 1954 the increase was 2 percent. If it had not been for these increases, totaling 7.2 percent in the 2-year period, we would not have been plagued with surplus problems in the dairy industry these past 2½ years. It is of interest, therefore, to see where the extra milk came from.

Of the total increase, one-third came from the three States of Wisconsin, California, and Minnesota (table 3). Nearly one-sixth of the increase came from the single State of Wisconsin.

Only 1 of the 48 States, Wyoming, failed to contribute to the increased supply. All of the other 47 States increased their production during this 2-year period.

New York, Pennsylvania, and New Jersey together accounted for 12 percent of the extra milk between 1952 and 1954. The New England States accounted for 4 percent. Thus nine Northeastern States—New England and Middle Atlantic—together accounted for about the same milk-production increase between 1952 and 1954 as did the single State of Wisconsin.

Mr. ANDRESEN. Dr. Johnson, you attribute the buying by the Government, of course, to the law that was passed giving support price on dairy products but largely to the increase in production of milk in certain areas.

You recognize that after 1950 there was a tremendous increase in the use of substitutes forbutter and a decrease in the consumption of the butter. Did that have anything to do with the Government buying program?

Mr. JOHNSON. The decline in the demand for butter has been the main reason why the dairy industry has had problems the past few years as I will cover later in my statement, but at the same time at the prices which prevailed for the different dairy products the market would have cleared in 1954 if it had not been for this increase in production between 1952 and 1954. I believe the figure that Government purchases amounted to in terms of milk equivalent in 1954, 7.4 percent of total milk production. And the increase in production between 1952 and 1954 was 7.2 percent. When you take into account that some of that 7.4 percent, particularly cheese, was sold back for commercial use, reentered commercial channels, I think that is true that if it had not been for the production increase between 1952 and 1954, there would have been few if any Government purchases, if production were not increased.

Mr. ANDRESEN. What would have happened to the price if there had not been any Government support program?

Mr. JOHNSON. And at the same time, if there had been no support program, there is no doubt in my mind but what prices would have been lower.

Mr. ANDRESEN. About how much lower?

Mr. JOHNSON. Different economists calculate different figures on that. I think they would have been lower by at least 10 percent, probably more.

Mr. ANDRESEN. You are very, very optimistic if you say it would have only been cut 10 percent.

Mr. JOHNSON. Remember, I said that at least 10 percent. I was giving that as a minimum, sir.

Mr. ANDRESEN. I think it went down 50 percent. That is all. Thank you.

Mr. ABERNETHY. You may cover this in your statement also, but if you do, you need not answer it now. How do you account for the increase beginning in 1952 to which you refer?

Mr. JOHNSON. I do not give the explanation in my statement, sir, but I will comment that it seems to me that this was associated with

the decline in prices of beef cattle, and cull dairy cows and also with revisions on production of other commodities, what is commonly referred to as diverted acres, and no limitations on production of dairy products.

Mr. ABERNETHY. You did not have any restrictions in 1952, there were no restrictions in 1952; he said restrictions on production of other commodities indicating that there were no restrictions in 1952.

Mr. JOHNSON. I am thinking of restrictions on production of basic commodities. I do not have before me the exact years in which they were introduced on each one. For sugar, for example, they did not come in until 1954. And sugar of course is one of the minor ones. The major ones would be wheat, corn, and cotton. So I do not have before me the exact years that they came in.

Mr. ABERNETHY. Of course, cotton controls came in in 1953. I do not know about wheat. I do not recall.

Dr. WILCOX. 1952 to 1953.

Mr. ABERNETHY. Did I understand you to say that the fall of the price of beef cattle can be attributed to the increase in dairy production, a switch from one to the other?

Mr. JOHNSON. I think that it contributed, perhaps, in 2 or 3 ways.

1. That many dairy farmers have decided to wait a while before selling their cull cows.

Mr. ABERNETHY. You know actually there was an increase in the production of other crops in 1952. There was an increase in the production of cotton, there was an increase in the production of wheat.

There was an increase, I am quite sure, in the production of rice. And I am in absolute disagreement with your statement that the increase in one was due to restrictions in the other because there were no restrictions and there were increases in production of all crops in the United States in 1952.

Mr. JOHNSON. May I point out that what I have referred to as the increase between 1952 and 1954. I am using 1952 as my base and in section 3 I am looking at what happened between 1952 and 1954.

Mr. JOHNSON (Wisconsin). I want to make this point. I know from my observation that farmers in Wisconsin were selling dairy cows for over $300 to go into the eastern markets because of the drop.

They went down to $200 or less. They held the cows rather than taking those prices; which would have something to do with the increase in prices. Then you say that prices of beef cattle went down, cull cows, dairy cows were worth less in the market. They held them rather than selling, hoping the market would go up. I know those two things happened in Wisconsin.

Mr. ABERNETHY. We interrupted your line of thought.

Mr. ANDRESEN. May I contribute to this? Isn't it a fact that beginning in 1952, when the price of beef cattle dropped, there was also a drop in the price of canners and cutters, which were the old cows and many of the farmers, because of the declining prices for their older cows which should have been culled and sold on the market and also in the calf drop, young stock, feeders—why we had an increase in the production of milk as a result of that factor?

Mr. JOHNSON. I would agree.

Mr. ABERNETHY. Do you have a table showing the increase in the production of milk in 1954 over 1952, and locating in the States where the production took place, indicating the States, I should say?

Mr. JOHNSON. The table on the production increase between 1952 and 1954 does not show the percent increase by States, but rather of the total increase. It allocates that among the States.

Mr. ABERNETHY. What table is that?

Mr. JOHNSON. That is table 3. That shows that of the total increase in production between 1952 and 1954, in the United States, 15.4 percent came from Wisconsin, 11.3 from California, and so on.

Mr. JOHNSON (Wisconsin). What do you mean by that 33 percent beside Minnesota?

Mr. JOHNSON. That is the total for the three States—Wisconsin, California, and Minnesota.

Mr. ANDRESEN. Thank you for making that clear.

Mr. Johnson, you show the increase in the milk-cow population.

Do you have figures on that, in these various milk marketing order areas? Do you have those figures?

Mr. JOHNSON. No, sir; these figures do not——

Mr. ANDRESEN. Mr. Johnson said there were a lot of cows that were sold from Wisconsin and out through the Midwest, that went to these eastern areas, where the farmers out in our section got $300 or $400 for the cows.

Do you know if there was an increase or has been an increase in the milk-cow population in Connecticut or in Boston milkshed or in the New York milkshed or any of these milkshed areas?

Mr. JOHNSON. The figures that I have in my tables refer to production which, of course, is a result of both the number of cows and production per cow.

It is the product of that, of course. So that I show what has happened in the various States, each one of the 48 States in production. I did not break it down as between production per cow and cow numbers, sir.

Mr. ANDRESEN. I am not an economist. I can only guess at these things. It takes cows to get production. Of course, we can use mathematics and break it down to find out how many cows there were; production per cow of course varies and we certainly would like, if you can get it, to submit it to us to show the increase in the cow population in those particular areas or in different sections of the country.

Mr. JOHNSON. Those figures are available and the diary situation reports put out by the United States Department of Agriculture. I have those with me and if time permitted, I could go through and make some quick calculations but I would think for the purpose of saving time and also because I might make some errors in making some quick calculations on the witness stand, it would be better if I did not attempt to do so.

Mr. ANDRESEN. Very well. We will get those into the record from the Department.

Mr. ABERNETHY. You may proceed.

Mr. JOHNSON. 4. Changes in milk production this year. So far this year United States milk production has been running below last year. Data for 2 months, by States, are shown in table 4. With a 1-percent decrease from a year earlier in January and February, and a 2-percent decrease in March, the supply situation looks brighter from a price standpoint than it has for some time.

I would like to add a brief comment on what the 2-month picture looks like by States. At the time I prepared my table data were

available for only 2 months. And for 3 months there were 5 States with increases of 4 percent from last year. That is January, February, and March of 1955, compared with those same 3 months of 1954.

Those 5 States were located as follows: 2 in the East, Pennsylvania and New Jersey; 1 in the East North Central States, Ohio; 1 in the South, Mississippi, and 1 in the Far West, Idaho.

Five States so far this year with increases in production from last year of 4 percent.

Two big dairy States, Wisconsin and New York are running the same milk production this year as last year. No change. And of the decreases for the 3-month period, there is one State with a decrease of 6 percent. That is Wyoming, and two with decreases of 5 percent, Nebraska and South Dakota. I add this to my prepared statement to give you the picture for 3 months as contrasted to the picture for only 2 months which is in table 4.

Mr. JOHNSON (Wisconsin). That is for 4 months?

Mr. JOHNSON. No, for 3 months, January, February, and March. The table only shows 2 months.

5. Changes in milk production by States, 1925 to 1939. In the 14 years from the middle twenties to the late thirties, milk production also changed at widely differing rates as among the States. The range was from an increase of 59 percent in Florida to a decrease of 10 percent in Maine (table 5).

6. Changes in milk production by regions, 1925–39. Among regions the slowest rate of increase from the middle twenties to the late thirties was in the North Atlantic States (table 6). The fastest rate was in the South Central and Western States.

Here I would like to add, I have finished talking about production trends and the question frequently arises why did you pick certain years for making your comparisons? The well-known idea that if you choose your base period judicially, you may be able to prove most anything. And to avoid that criticism I have used all of the data that are available, the data were first available in 1924, and I have used them right up from 1924 to 1954, dividing it into two periods of about equal length—1924–26 compared with 1938–40, then 1938–54. And then the short run increase, the 1952–54 comparison.

Now turning to No. 7. Changes in population by States. On the demand side of the picture, total fluid milk consumption quite naturally is a function of the number of people and per capita consumption. First, let us look at the number of people.

The 15-year increase in population, from 1938–40 to 1954, was 23 percent (table 7). This meant a substantial addition to the total demand for milk.

Current rates of population increase are more rapid than the average for the past 15 years. Between February 1, 1954, and February 1, 1955, United States population increased by 1.75 percent. If this rate should continue for 15 years, the population in the United States would increase by 30 percent, one quarter more than the 23 percent increase in the past 15 years.

The listing of States in table 7 is in the same order as their percentage increases in milk production between 1938–40 and 1954. The first 5 in production increases had population increases well in excess of the United States rate of 23 percent.

In the next four States—Tennessee, Wisconsin, Pennsylvania and Missouri—milk production increased rapidly with lower-than-average

rates of population increase. State population and milk production increases, on the whole, were not closely correlated.

8. Changes in population by regions. Population increased the most rapidly during the past 15 years in the Western States, 64 percent as compared with the national figure of 23 percent (table 8). The South Atlantic States also increased more rapidly than average (31 percent).

The rate of increase in the North Atlantic and South Central States was 15 percent. In the West North Central States the population increase was 8 percent.

9. Changes in per capita consumption of milk and dairy products: On a per capita basis, and in terms of milk equivalent, consumption changed as follows in the United States between 1935–39 and 1954—table 9:

Fluid milk increased from 264 to 299 pounds.
Fluid cream decreased from 66 to 53 pounds.
Butter decreased from 337 pounds of milk equivalent to 177 pounds.
Cheese increased from 55 to 76 pounds of milk equivalent.
Evaporated milk stayed at 36 pounds.
Ice cream increased from 25 to 46 pounds.
Other increased from 8 to 10 pounds.

The most marked change, of course, was in the use of milk for butter. Both in 1925–29 and in 1935–39 more than 40 percent of the total supply of milk was used for butter. More milk was used for butter than for fluid milk. In 1954, in contrast, only 25 percent was used for butter, and 43 percent was used for fluid milk.

In terms of the classified price plan, 43 percent of the Nation's milk output currently goes into class I usage.

10. Percentage changes in per capita consumption: Between 1935–39 and 1954 the per capita consumption of fluid milk increased by 13 percent—table 10. This is a significant increase, but did less, of course, to broaden the market than did the population increase of about 25 percent. The relative importance of these two factors breaks down quite neatly into population increase causing two-thirds of the total increase in milk consumption since the late 1930's and higher per capita use causing 1.3.

The loss of a large part of the butter market with per capita use falling by 47 percent has been the main cause of discontent among dairy producers. It seems important to recognize this as the most important cause and then proceed from the "why" to the "how" of improving incomes of dairy farmers.

11. Recent changes in consumption of butter and oleomargarine: Retail butter prices have averaged 11 percent lower than a year earlier in the 10 months since price-support levels were dropped last April 1—table 11. Meanwhile, total United States consumption increased by 6 percent.

The data indicate a continued shift in demand away from butter and toward oleomargarine, however, since oleomargarine consumption increased by 5 percent despite a price rise of 1 percent.

On a per capita basis—with population during the year increasing by 1¾ percent—the increases in use were about 4 percent for butter and 3 percent for oleomargarine. For both combined, a 5 percent reduction in price has increased per capita use by 3½ percent.

12. Consumption per capita of fluid milk and cream in selected markets in 1950: For 25 markets scattered around the United States,

per capita use of milk and skim milk in 1950 varied widely—table 12. The rate was as high as a little over 1 pint daily in the Duluth-Superior market and as low as 0.6 pint daily in Richmond, Va.

Per capita use in our largest city, New York, was 0.86 pint daily, and in Chicago, our second largest city, 0.83 pint.

Obtaining accurate figures on per capita use is a difficult problem, and the data shown should be considered as indicative of approximate consumption rather than as being absolutely correct.

13. Changes in per capita consumption of milk and cream in New York City: The New York City market is large enough so that data on per capita consumption are of above-average reliability.

Milk consumption per capita rose from 0.76 of a pint in 1940 to 0.97 in 1945—table 13. This was the time of relatively cheap milk because of Federal subsidies, and shortages of meats and other protein foods, particularly in large cities far from farms. From the 1945 peak, the per capita rate declined—sharply until 1948 and more slowly since then—to 0.86 of a pint in 1950 and to 0.80 pint in 1954.

14. Comparison of changes in fluid milk use in Boston, Connecticut, New York, and the United States: In the United States the per capita rate of fluid-milk consumption was 0.68 pint in 1940—table 14. It increased to 0.76 pint in 1954, 14 years later, an increase of 12 percent.

Even though milk consumption was greater in New York than in the United States in absolute terms in each of these years, the percentage increase was less—only 5 percent in New York, as compared with 12 for the United States. What are some of the possible reasons for this lesser increase rate?

Among those which come to mind are these:

(1) The exclusion of fluid skim milk from the New York data.

(2) The influx of Puerto Ricans into New York City, about 500,000 since the end of World War II, with lower-than-average rates of milk consumption.

(3) The exodus of many people with medium or high incomes to the suburbs, some of which, like New Jersey, are not included in the marketing area.

(4) A lower-than-average increase in earnings of the nonmanufacturing group of workers, who make up a relatively high proportion of the population of New York City.

In Connecticut, as shown in table 14, the percentage increase in milk consumption between 1940 and 1954 was much higher than the national average. Part of the increase may be due to statistical noncomparability of the series; with the Connecticut milk-control legislation revised drastically in 1941 and stricter auditing practices followed the reported figure for 1940 may be lower than was actually true.

The decline between 1945 and 1954 was greater in all three eastern markets than in the entire United States. This may simply reflect the fact that meats and protein foods were much scarcer in the East in 1945 than elsewhere, resulting in an abnormally high milk consumption in that year relative to other parts of the country. The sharper rise in milk consumption in the East between 1940 and 1945 tends to give credence to this explanation.

The sharper decline in consumption in New York City than in other areas between 1945 and 1954 probably is explainable by three of the factors mentioned earlier, namely, the influx of Puerto Ricans,

the exodus of higher-income residents to the suburbs without any change in definition of the marketing area, and the exclusion of fluid skim milk from the New York data.

15. Changes in fluid-milk sales in Federal order markets, 1952 to 1954: The Agricultural Marketing Service reported whole-milk sales for 30 Federal order markets for the years 1952, 1953, and 1954 in a summary published in February. Data for 2 of the 30 markets were discarded for lack of comparability, leaving the 28 shown in table 15.

Changes in sales for the markets listed are due both to changes in population and in per capita consumption. Between 1952 and 1954 the increase in milk consumption for the 28 markets combined was 5.6 percent. Presumably about 3½ percent was due to the population increase, assuming the population in these markets increased at the same rate as in the entire country, and 2 percent to more milk consumed per person.

Inquiries were made of market administrators and others as to the reasons either for much higher or much lower rates of increase than the average. Of interest are the apparent reasons for the deviations from average in the following markets:

Knoxville, Tenn., the greater-than-average increase was ascribed primarily to an expansion of the area in which Knoxville handlers were distributing milk. Dealers in Knoxville were expanding their sales in outside areas but adjacent to the marketing area.

South Bend-Laporte, Ind.—the lower-than-average increase was ascribed to a decline in employment by the Studebaker Motor Car Corp.

Wichita, Kansas City, and Topeka—these 3 markets, the first 2 with the largest percentage increases, and the last with a decrease, have the same person as market administrator. His comments are of interest.

First of all, he reports that the Topeka sales data in 1952 and part of 1953 include some out-of-area sales which have since been eliminated. Instead of a decrease of 1 percent, sales in the Topeka marketing area apparently increased by 1 or 2 percent between 1952 and 1954. This still leaves a large difference to be explained. One factor is that population increased by 3 or 4 percent in Wichita and Kansas City, and decreased slightly in Topeka. Employment conditions in Topeka have not been so good recently as in the other two markets. Handlers and producers in Kansas City have had more vigorous promotional programs than in Topeka.

There was a sharp shift in Kansas City toward 2-quart containers and away from 1-quart containers since 1952; in February 1955, 2-quart containers were nearly twice as important as quarts, and more than 8 times as important as gallons. Although the market administrator did not make comparisons with Topeka on container sizes, and did not estimate the effect of container size on sales, these were his observations concerning important reasons for the differences in sales trends in Topeka versus Wichita and Kansas City.

In addition to the reasons suggested by his comments, data from the fluid milk and cream reports of USDA show a much sharper downward trend in retail prices of milk in Kansas City and Wichita than in Topeka in the past 2 or 3 years, and possibly this is the most important reason of all.

The differences between Topeka and Wichita-Kansas City probably are largely explainable—and I would like to say to maybe 90 percent explainable—by differences in milk price, consumer incomes, population, and methods of statistical calculation.

Boston, New York, and Philadelphia—smaller-than-average increases in these markets may be due in part to marketing-area definitions which exclude many people with relatively high incomes who move to the suburbs. Also, there is probably less packaged milk shipped outside the area than is generally true in Federal order markets, which may affect comparisons. Special reasons applicable to New York already have been covered.

II. Federal and State regulations affecting milk marketing: Eastern class I formulas under Federal order.

That completes the first section. The New York market is the largest in the East. Its 50,000 producers outnumber the 12,000 for Boston and 8,000 for Philadelphia. Other Federal order markets in the East have still less producers.

The class I–A formula bases prices on the United States wholesale commodity price index and the percent use in class I.

A change of 1 percent in the former, and of 1 percent use in the latter, each causes the class I–A price to change by 1 percent. This utilization factor has real teeth in it, depressing prices sharply if supplies rise relative to fluid consumption and vice versa.

"Snubbers" in the formula relate in the class I–A price to Midwest manufacturing values of milk. The class I–A price in New York must not be more than $2.50 per hundredweight over the price paid farmers at Midwest condenseries for 3 consecutive months without either a hearing being called to consider this difference or an official determination being made and published that a hearing is not necessary.

It is significant that in the period of nearly 5 years since the formula was adopted, the New York class I–A price has never exceeded in the Midwestern condensery price by more than the prescribed limits.

As to the Federal Milk Order Study Committee pointed out in its report last October, it is also significant that the Boston class I price exceeded the Midwestern condensery price plus $2.35 in only 2 of the 14 years in the 1940–53 period (pp. 19–23 of report.)

2. Pooling plans under Federal orders. Forty-three of the fifty-four orders effective last January 1 provided for marketwide pools. Eleven had individual handler pools. If a classified price plan is used, if regulations are set up on an individual market basis, and if marketwide pooling is used, then a method of determining pool participation is necessary. The mechanism known as compensatory payments is designed to meet this need for a method of determining pool participation. If free entry into a market is to be had, as required under the enabling legislation, such a provision is an essential part of market-pool Federal orders.

Since compensatory payments have attracted considerable criticism, one way to avoid their use is to establish handler pools. But in large markets like New York, to do so would jeopardize efficiencies in transport and manufacture made possible by a marketwide pool, and, if done suddenly, would likely lead to demoralized markets throughout the Northeast as class I outlets were sought.

Partial pooling, either by having one kind of a pool part of the year and another kind the other, or by providing for only a specified partial

payment into or out of an equalization fund, appears to have merit, but has not yet been tried under any Federal order.

3. Quota plans under Federal orders: Use of quota plans was widespread in the last 1920's and 1930's. Many markets abandoned these plans during World War II. But they are now coming back. Fourteen Federal order markets were using quota plans in January 1954. A year later, in January 1955, the number had increased by 8, to a total of 22.

Under all present quota plans in Federal order markets new bases are established each year. Also the quotas are not transferable freely from person to person.

The quota plan is the only device known for attacking the weakness of the classified price plan in holding out the attraction of a higher price for extra milk than what it is worth. Additional output of either new or old producers is worth only its value in the lowest priced class, yet without a quota plan individual producers have the incentive of the blend price before them when deciding whether to make additional milk. This tends toward overproduction.

A weakness of quota plans is their high administrative cost. Many people object to them because they make it more difficult for newcomers to enter the dairy business. But others answer that the way of entry for newcomers might better be made difficult, and their energies used in other pursuits, if the market is already oversupplied with milk.

My purpose this morning is not to attempt to resolve these arguments, but rather to point out the need for at least a partial shift from open bases toward closed bases if the device is to be used effectively to limit production, and the desirability, in any event, for a shift toward freer transferability of bases if a quota system is used. As presently used, quota plans are aimed primarily at leveling out production seasonally, and have little or no effect in limiting total production.

4. Effect of Federal orders on producer prices: Federal orders "stabilize prices upward," resulting in higher net incomes to producers. Their income-raising intent is a recognition of the fact that the level of price not only determines cost to consumers but incomes for producers. The amount of gain is difficult to determine. One estimate, that of Dr. Leland Spencer of Cornell University, is that the gain in producer price from State and Federal control in the period since 1933, exclusive of the war years, was 5 percent in the New York milkshed.

To a fluid milk producer, consequently, Federal orders in a sense are a counterpart to the price-support programs for storable products like corn, wheat, cotton, tobacco, rice, and peanuts.

5. Trends in State versus Federal controls: In the middle and late 1930's, both State and Federal Governments were active in establishing controls on marketing and pricing. Since 1938 or 1939, the trend has been toward more Federal orders and less State regulation. For example, the year 1954 saw the number of Federal milk marketing orders increase by 5, from 49 to 54, and the number of States with State milk control reduced by 1, from 17 to 16.

This trend is based on the growth of interstate commerce in milk, and a more liberal interpretation of "interstate commerce." Also, it

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is based on a record of efficient administration of Federal orders which has led many leaders in local markets where State action might be effective to desire Federal orders instead.

State control agencies have had difficulty in some instances in resisting local pressures for overpricing, which has later resulted in troubles for which Federal orders have been sought as a cure.

III. School-milk program: The special school-milk program, effective for the first time this year, holds considerable promise from both nutritional and dairy-farm income standpoints.

In Connecticut which was allocated $437,000 of the $50 million appropriation for the current school year, the effect, if all the money were spent, would be to add about 1 percent to total fluid consumption in the State, and to raise the price to farmers by 3 cents per hundredweight. Similar possibilities are had elsewhere, with greater potential gains in some States and lesser in other.

More important for the future than this immediate gain, however, is the effect on the health of children and the possible increased consumption in later years due to the milk-drinking habit being more firmly established.

The importance of a school-milk program in affecting consumption is given us by British experience. Since 1940, school children in Great Britain have had free milk in schools, served in a special-size glass container, the use of which is permitted only for school milk. In 1941, the first year the program was fully in effect, 4 percent of Britain's total fluid-milk consumption consisted of free milk to school children. This has been one of several important factors resulting in higher per capita consumption of milk in Great Britain now than we have in the United States. In 1940 the British per capita consumption rate was 0.52 pint daily, 24 percent lower than the United States rate of 0.68 pint. But in 1952 the British rate was 0.86 pint daily, 13 percent more than the United States rate of 0.76 pint. In other words, the per capita rate of milk consumption rose 65 percent in Britain between 1940 and 1952, compared with 12 percent in the United States.

There were other reasons for the phenomenal increase in milk consumption in Britain—pointed out on pages 61–65 of Cornell Bulletin 902, which I prepared in collaboration with Dr. Leland Spencer—but it is my belief that one of the important reasons was their program of free milk in schools.

Incidentally, the free-milk program is firmly supported by both political parties in Britain. I was privileged to visit the House of Commons during its budget debate in 1952, and heard both Oliver Lyttleton for the Conservatives and Hugh Gaitskell for the Labor Party assert quite positively that the school children needed free milk for their bodies just as they needed free books for their minds, and that any suggestion for curtailing the program was preposterous.

Thus, it seems to me that the school-milk program holds out much greater possibilities for gains in dairy farmers' incomes than milk dispensers, vending machines, gallon jugs, and several other recently publicized ventures all put together.

Notwithstanding the merit and possibilities of the school-milk program, the fact remains that under present regulations the entire $50 million which has been appropriated this year will not be spent. In Connecticut, I have been advised that only one-half or a little

less of a $437,000 allocation will be spent this year and that only 336 of the State's 1,000 schools are participating in the program.

Mr. ABERNETHY. What is the reason for that? Why don't you think they will use it all?

Mr. JOHNSON. I do not think they will use it all for some of the reasons that I will point out in the concluding page, some of the needed changes in the program, or changes that seem to me to be needed.

Mr. ABERNETHY. Is it administrative difficulty?

Mr. JOHNSON. It is partly administrative difficulties without having any funds for administration of this program. Then the use of a base period which ties back payments to the schools only on amounts above historical bases and allowing payments to be made even though the price to school children is not reduced. We have schools in Connecticut that are getting payments under this program where they are still charging the school children 8 cents a half pint. I think that the emphasis should be shifted away from historical bases and toward getting a reduction in price to the school children.

Mr. JENNINGS. Then they are actually making a profit on the milk in some of the schools as a result of that charge?

Mr. JOHNSON. I presume that those schools that are charging 8 cents that get the money have to use it in some way or other to promote the use of milk. I am assuming that they are doing it.

Mr. JENNINGS. That may be a good assumption, but are those the facts?

Mr. JOHNSON. I am assuming that with limited administrative funds they are checking to see that this is done, but ways that are permitted such as these—accumulating the money to be used to buy a refrigerator for milk. And it seems to me that, although that needs to be had if the milk is to be stored, a better way is to include that as one of the requirements of the dealer in letting out the school-milk contract. And to use the money in reducing the price——

Mr. LAIRD. It would seem to me that that—your State has fallen down on the program. In our State we have had the cooperation of all of the agricultural groups, our State director of agriculture, our superintendent of public instruction, and we will far exceed the original quota set for Wisconsin this year.

As a matter of fact, it was only a few weeks ago that I met with the Department. I met with them in January, and got an additional $174,000 allocated to Wisconsin. I was given assurances just 2 weeks ago that additional funds would be allocated to our State. We are taking advantage of it.

Certainly, any States that want to, can push it in to schools. I think Wisconsin has shown that it can be a very successful program.

Mr. JOHNSON of Wisconsin. The last time I talked to the State superintendent of schools on the matter, I believe he told me the administrative cost in Wisconsin was going to run about $1,500 a year. One extra girl in the State superintendent's office.

Mr. LAIRD. Only one extra girl in the school-lunch-administrator's office?

Mr. JOHNSON. The percentage of schools in Connecticut, being about 34 percent, is just about on the national average. I think it is true, I agree with you, that the program has gone over better in Wisconsin than elsewhere. It may be associated with the fact that

Wisconsin is a leading dairy State and it feels it has much more at stake in the local communities than the prosperity of the dairy farmers.

Mr. JENNINGS. I would like to say for the record at this time that I think that this school-milk program certainly needs investigation, because I have found in some cases that the milk is being sold for a profit; that some of the authorities feel that the additional burden which is not justified and are not taking advantage of it. I think it is the best way to dispose of our surplus-milk problem. That is through the school-lunch program. I would like to say that I think we should definitely investigate it, because I know of some specific instances where the milk is being sold at a profit.

Mr. ABERNETHY. The gentleman has anticipated me. I have just made a memo to that effect, not necessarily to investigate but to inquire.

Mr. JENNINGS. The spirit of the law is not being carried out, Mr. Chairman, in a number of cases.

Mr. ABERNETHY. You have stated that Connecticut will use only one-half of its allocation this year. Mr. Laird says they can use the rest of it.

Mr. JOHNSON. They have turned it back in already so you can use it.

Mr. JENNINGS. That is just it. They should not have. This milk should be used by all.

Mr. ABERNETHY. I think we ought to let the record show, I do not know what the figures are, that that situation just does not apply to Connecticut. It applies to many——

Mr. JENNINGS. Virginia.

Mr. ABERNETHY. Many States. If I am informed correctly, the allocation was made for this year's program, the consumption will fall considerably under the amount allocated. That is true, is it not?

Mr. JOHNSON. That is my understanding that that is true.

Mr. ABERNETHY. Is there anyone in the room who could tell us?

Mr. LAIRD. About $34 million will be used during this year of the $50 million that was allocated for the program. Of that $34 million, about $3 million will be reallocated funds to States in which there have been considerable increases.

Mr. JOHNSON of Wisconsin. From what I can find out from the Department, they tell me that a lot of schools did not enter into it at the start of the school year. Some did not get into it until January or February of 1955.

Mr. JENNINGS. Do you have some recommendations on how this should be increased in your statement?

Mr. JOHNSON. I have some recommendations in my statement, yes.

Mr. JENNINGS. I won't ask any questions again. I am interested in this.

Mr. JOHNSON. I might add further, before turning to it, that Connecticut had more than 336 schools enrolled in the program. It came up to about $500. But many of the schools that had been doing a good job in supplying the milk to school children were finding that with the large historical base, that the payments from the program were only amounting to $1, $5, $10, and were more of a nuisance than a help. And so the deadwood has been cut out.

Mr. JENNINGS. Who is responsible for that?

Mr. JOHNSON. For that base—the base is calculated in our State on sales to school children in November and December in 1953.

Mr. JENNINGS. That is, the same is true in my State. Who is responsible for establishing that base? Who is responsible for the administrative order? Was it written into the law? Who is responsible?

Mr. LAIRD. The law states that the payments will be made for increased consumption of milk in the schools. For that reason they had to figure out what was being consumed in the schools prior to the adoption of the program and they made the payments on the basis of what the increase was. The purpose of the school milk amendment in the Agricultural Act was to use Commodity Credit Corporation funds to relieve purchases by the CCC.

Mr. JENNINGS. That should not penalize those people who were active in the matter.

Mr. LAIRD. The purpose of the program was to further increase the consumption of fluid milk. That was the purpose of the program.

Mr. JENNINGS. If we do away with the base, won't that also facilitate the program?

Mr. LAIRD. If you did away with the base, you would find yourself spending considerable money and you would be buying the same milk that had been consumed over a period of years. The purpose of the program was to increase the consumption and not pay for milk already being consumed. That was the purpose of the amendment as adopted by this committee. Some schools have not increased their consumption as was anticipated by this particular program.

Mr. JOHNSON. The various regulations were set up by the Secretary of Agriculture.

Mr. LAIRD. The regulations which were set up had to be in keeping with the amendment which was established and passed on by this committee. The Secretary of Agriculture was not authorized to pay for milk that had been consumed, and the base that had been consumed over the last 2- or 3-year period he could not pay for that milk.

Mr. ABERNETHY. You may proceed.

Mr. JOHNSON. In other States, participation in the program also is on a limited scale, with "1 school in 4" in the milk program commonly quoted as describing the national situation.

The latest figures were that 46,000 of the Nation's 160,000 schools were enrolled in the program.

From what study I have made of the problem, and participation in several meetings at the State and local level concerning the school milk program, it seems that the following improvements might be made:

(1) Provide funds for administration of the program. Some local people say that their schoolteachers feel they are overworked and underpaid at present, and since they are on the verge of quitting, to ask them to do an additional task such as would be necessary with school milk might mean the teacher would leave.

I have heard that said at a number of local meetings.

The aim of not allowing any of the $50 million to be wasted on needless salaries is commendable, yet it is probable that efficiency in use of the fund would be promoted by an earmarking of a small proportion for administration.

(2) Use of a base period, and payments only for use in excess of the base, helps to focus attention and effort on schools where little milk is used and possibilities for gain are greatest. On the other hand,

schools which have been doing a good job on school milk do not find it advantageous to enroll in the program, and substantial possibilities for gain in such situations are not fully exploited. Either next year, or certainly the year after, the disadvantages of making payments only on extra milk over historical quotas will outweigh the advantages, and bases should be discontinued.

(3) If bases are discontinued, an alternative method which seems to have merit is to make payments conditional on two things: on a reduction in the price charged children for milk and on making milk available to children on at least two occasions each day.

Summary: I have presented information on three phases of dairy economics—(1) production and consumption trends; (2) Federal and State regulations affecting the milk marketing; and (3) disposal methods for stocks acquired under price-support programs.

I would be glad to answer questions on the material presented, on these additional points, or on any other phases of the subject which you may wish to cover.

(The paper entitled "Trends in Milk Production and Consumption" is as follows:)

Trends in Milk Production and Consumption

Prepared by Stewart Johnson, Professor of Agricultural Economics, March 1955—W. B. Young, Director, Henry M. Hansen, Associate Director, Extension Service, College of Agriculture, University of Connecticut, Storrs, Conn.

Table 1.—*Changes in milk production by States, 1954 compared with 1938–40*

[Million pounds]

State	Milk production		Percentage change	State	Milk production		Percentage change
	1938–40 average	1954			1938–40 average	1954	
Florida	332	638	+92	Rhode Island	134	150	+12
Maryland	884	1,448	+64	Connecticut	670	740	+10
California	4,655	7,014	+51	Maine	628	684	+9
Delaware	138	207	+50	New Hampshire	356	379	+6
Virginia	1,460	2,032	+39	Minnesota	8,247	8,615	+4
Tennessee	1,842	2,505	+36	Massachusetts	795	820	+3
Wisconsin	12,167	16,550	+36	Illinois	5,099	5,221	+2
Pennsylvania	4,577	6,156	+34	Arkansas	1,351	1,384	+2
Missouri	3,309	4,434	+34	West Virginia	790	801	+1
Arizona	229	304	+33	Oregon	1,369	1,278	−7
Kentucky	1,894	2,512	+33	Washington	1,952	1,814	−7
North Carolina	1,302	1,704	+31	North Dakota	1,947	1,786	−8
Utah	538	696	+29	Colorado	997	916	−8
New York	7,408	9,473	+28	Iowa	6,452	5,887	−9
Louisiana	646	825	+28	Kansas	2,870	2,522	−12
Ohio	4,572	5,777	+26	Nebraska	2,562	2,203	−14
New Jersey	948	1,184	+25	South Dakota	1,653	1,360	−18
Idaho	1,167	1,462	+25	Nevada	107	87	−19
Mississippi	1,281	1,593	+24	New Mexico	271	218	−20
Vermont	1,371	1,692	+23	Montana	669	528	−21
Indiana	3,191	3,776	+18	Wyoming	282	220	−22
Michigan	4,757	5,631	+18	Oklahoma	2,453	1,877	−23
Georgia	1,085	1,246	+15	Texas	4,244	3,184	−25
South Carolina	542	626	+15				
Alabama	1,177	1,343	+14	United States	107,367	123,502	+15

Source: Milk production on Farms and Statistics of Dairy Plant Products, 1954. Agricultural Marketing Service, U. S. Department of Agriculture, Washington, D. C., February 1955.

Note.—United States total population increased 23 percent between 1938–40 and 1954 (includes all United States people, whether in military service or not).

TABLE 2.—*Changes in milk production by regions, 1954 compared with 1938–40*

[Million pounds]

Region	Milk production		Percentage change
	1938–40 average	1954	
New England	3,954	4,465	+13
Middle Atlantic	12,933	16,813	+30
North Atlantic	16,887	21,278	+26
East North Central	29,785	36,955	+24
West North Central	27,039	26,807	−1
South Atlantic	6,532	8,702	+33
South Central	14,887	15,223	+2
Mountain	4,261	4,431	+4
Far West	7,976	10,106	+27
West	12,237	14,537	+19
United States	107,367	123,502	+15

Source: Milk Production on Farms and Statistics of Dairy Plant Products, 1954. Agricultural Marketing Service, U. S. Department of Agriculture, Washington, D. C., February 1955.

NOTE.—United States total population increased 23 percent between 1938–40 and 1954 (includes all United States people, whether in military service or not).

TABLE 3.—*Percentage of United States milk production increase from 1952 to 1954 accounted for by each State*

	Percent		*Percent*
Wisconsin	15.4	North Carolina	1.1
California	11.3	North Dakota	.8
Minnesota	6.3	South Dakota	.8
		Georgia	.8
	33.0	Maine	.8
New York	6.2	Louisiana	.7
Missouri	5.3	New Jersey	.6
Pennsylvania	5.1	Colorado	.6
Ohio	4.7	South Carolina	.6
Idaho	3.3	Connecticut	.5
Illinois	3.1	Alabama	.4
Iowa	2.5	Massachusetts	.4
Tennessee	2.3	Utah	.4
Kansas	2.3	Florida	.4
Mississippi	2.3	New Hampshire	.4
Michigan	2.2	Texas	.3
Kentucky	2.2	Arizona	.3
Indiana	2.0	Montana	.2
Vermont	2.0	Rhode Island	.2
Arkansas	2.0	West Virginia	.1
Maryland	1.7	New Mexico	.1
Virginia	1.6	Delaware	.1
Washington	1.6	Nevada	.1
Oklahoma	1.5	Wyoming	(1)
Nebraska	1.2		
Oregon	1.2	United States	100.0

[1] Decrease of less than 0.05 percent.

NOTE.—United States milk production in 1952 was 1.2 percent lower than in 1950, and 0.7 percent lower than the 10-year 1940–49 average. But between 1952 and 1954, production increased by 7.2 percent. This sharp production increase explains in large part why the Government began buying butter in November 1952 (at the existing level of price supports), and bought large quantities of dairy products in 1953 and 1954. Of the total increase in United States production between 1952 and 1954, 33 percent is accounted for by increases in production in the 3 States of Wisconsin, California, and Minnesota.

Source: Dairy Situation, Feb. 21, 1955, p. 12.

TABLE 4.—*Changes in milk production by States, January–February 1955 compared with January–February 1954*

[Million pounds]

State	January–February		Percentage change	State	January–February		Percentage change
	1954	1955			1954	1955	
Ohio	820	866	+6	Montana	70	69	−1
New Jersey	189	198	+5	Iowa	853	845	−1
California	1,032	1,069	+4	Utah	110	109	−1
Mississippi	210	219	+4	Missouri	561	548	−2
North Dakota	228	238	+4	Kentucky	321	314	−2
Idaho	205	212	+3	Indiana	525	513	−2
Pennsylvania	946	978	+3	Virginia	283	278	−2
North Carolina	248	253	+2	Arkansas	184	181	−2
South Carolina	90	92	+2	Kansas	372	360	−3
Georgia	190	193	+2	Illinois	794	768	−3
West Virginia	106	108	+2	Minnesota	1,529	1,476	−3
Connecticut	112	114	+2	Texas	480	465	−3
Wisconsin	2,541	2,558	+1	Nebraska	316	304	−4
New York	1,284	1,291	+1	Tennessee	330	318	−4
Washington	254	257	+1	South Dakota	188	178	−5
Oregon	158	159	+1	Wyoming	31	29	−6
Oklahoma	272	272		Other States [1]	1,352	1,145	−15
Alabama	192	192					
Michigan	827	820	−1	United States	18,203	17,989	−1

[1] Nevada, Arizona, New Mexico, Colorado, Louisiana, Florida, Maryland, Delaware, Rhode Island, Massachusetts, Vermont, New Hampshire, and Maine.

Source: Dairy Production and Crop Production reports, Agricultural Marketing Service, USDA; Connecticut Dairy Marketing reports; New York State Dairy Farm Report.

TABLE 5.—*Changes in milk production by States, 1938–40, compared with 1924–26*

[Million pounds]

State	Milk production		Percentage change	State	Milk production		Percentage change
	1924–26 average	1938–40 average			1924–26 average	1938–40 average	
Florida	209	332	+59	Wisconsin	10,454	12,167	+16
Idaho	761	1,167	+53	Georgia	946	1,085	+15
Texas	2,840	4,244	+49	Nebraska	2,256	2,562	+14
New Mexico	183	271	+48	Virginia	1,280	1,460	+14
Louisiana	451	646	+43	South Carolina	478	542	+13
Arizona	163	229	+40	Ohio	4,098	4,572	+12
Mississippi	938	1,281	+37	Kentucky	1,690	1,894	+12
California	3,421	4,655	+36	West Virginia	718	790	+10
New Jersey	703	948	+35	North Dakota	1,802	1,947	+8
Oklahoma	1,824	2,453	+34	Vermont	1,270	1,371	+8
Tennessee	1,439	1,842	+28	Connecticut	618	670	+8
Arkansas	1,053	1,351	+28	Nevada	99	107	+8
Iowa	5,098	6,452	+27	New York	6,954	7,408	+7
Oregon	1,078	1,369	+27	Pennsylvania	4,281	4,577	+7
Washington	1,550	1,952	+26	Kansas	2,703	2,870	+6
Utah	429	538	+25	Colorado	956	997	+4
Missouri	2,697	3,309	+23	Delaware	134	138	+3
North Carolina	1,074	1,302	+21	Rhode Island	131	134	+2
Minnesota	6,867	8,247	+20	Montana	680	669	−2
Alabama	979	1,177	+20	South Dakota	1,741	1,653	−5
Indiana	2,677	3,191	+19	Massachusetts	841	795	−5
Wyoming	237	282	+19	New Hampshire	389	356	−8
Illinois	4,363	5,099	+17	Maine	698	628	−10
Michigan	4,079	4,757	+17				
Maryland	757	894	+17	United States	91,088	107,367	+18

Source: Farm Production, Disposition, and Income from Milk, Bureau of Agricultural Economics, Washington, D. C.

NOTE.—United States total population increased 13 percent between 1924–26 and 1938–40.

TABLE 6.—*Changes in milk production by regions, 1938–40 compared with 1924–26*

[Million pounds]

Region	Milk production		Percentage change
	1924–26 average	1938–40 average	
New England	3,947	3,954	
Middle Atlantic	11,938	12,933	+8
North Atlantic	15,885	16,887	+6
East North Central	25,671	29,785	+16
West North Central	23,163	27,039	+17
South Atlantic	5,596	6,532	+17
South Central	11,215	14,887	+33
Mountain	3,509	4,261	+21
Far West	6,049	7,976	+32
West	9,558	12,237	+28
United States	91,088	107,367	+18

Source: Farm Production, Disposition, and Income from Milk, Bureau of Agricultural Economics, Washington, D. C.

NOTE.—United States total population increased 13 percent between 1924–26 and 1938–40.

TABLE 7.—*Changes in population by States, 1954 compared with 1938–40*

State	Average 1938–40	1954	Percentage change
Florida	1,839,309	3,524,000	+92
Maryland	1,795,314	2,602,000	+45
California	6,801,456	12,554,000	+85
Delaware	262,422	367,000	+40
Virginia	2,666,488	3,588,000	+35
Tennessee	2,873,492	3,362,000	+17
Wisconsin	3,120,873	3,578,000	+15
Pennsylvania	9,921,865	10,779,000	+9
Missouri	3,783,867	4,154,000	+10
Arizona	483,889	993,000	+105
Kentucky	2,825,883	2,995,000	+6
North Carolina	3,512,257	4,250,000	+21
Utah	543,683	757,000	+39
New York	13,502,789	15,433,000	+14
Louisiana	2,329,832	2,924,000	+26
Ohio	6,881,446	8,554,000	+24
New Jersey	4,131,846	5,250,000	+27
Idaho	520,134	615,000	+18
Mississippi	2,161,758	2,204,000	+2
Vermont	357,686	385,000	+8
Indiana	3,408,124	4,209,000	+23
Michigan	5,162,273	7,024,000	+36
Georgia	3,113,508	3,660,000	+18
South Carolina	1,871,940	2,238,000	+20
Alabama	2,814,166	3,121,000	+11
Rhode Island	703,308	824,000	+17
Connecticut	1,697,810	2,219,000	+31
Maine	845,208	930,000	+10
New Hampshire	489,252	532,000	+9
Minnesota	2,773,210	3,103,000	+12
Massachusetts	4,344,328	4,954,000	+14
Illinois	7,887,136	9,165,000	+16
Arkansas	1,943,045	1,910,000	−2
West Virginia	1,868,161	1,947,000	+4
Oregon	1,080,536	1,639,000	+52
Washington	1,718,427	2,540,000	+48
North Dakota	643,975	636,000	−1
Colorado	1,118,865	1,456,000	+30
Iowa	2,517,757	2,638,000	+5
Kansas	1,818,914	2,016,000	+11
Nebraska	1,319,004	1,366,000	+4
South Dakota	645,100	667,000	+3
Nevada	107,375	218,000	+103
New Mexico	523,443	781,000	+49
Montana	555,292	628,000	+13
Wyoming	247,880	312,000	+26
Oklahoma	2,330,092	2,268,000	−3
Texas	6,361,588	8,468,000	+33
District of Columbia	660,258	861,000	+30
United States	130,886,267	161,195,000	+23

Source: Estimated population of the United States by States 1910–14, Bureau of Census, Series P45 No. 9, Oct. 1, 1945; provisional estimates of the population by States, 1954, Series P25, No. 108, Bureau of Census, Jan. 3, 1955.

TABLE 8.—*Changes in population by regions, 1954 compared with 1938–40*

	Population 1938–40	Population 1954	Percentage change
New England	8,437,592	9,843,000	+17
Middle Atlantic	27,556,501	31,463,000	+14
North Atlantic	35,994,093	41,306,000	+15
East North Central	26,459,853	32,528,000	+23
West North Central	13,501,827	14,579,000	+8
South Atlantic	17,589,658	23,035,000	+31
South Central	23,639,856	27,253,000	+15
Mountain	4,100,561	5,761,000	+41
Far West	9,600,419	16,733,000	+74
West	13,700,980	22,494,000	+64
United States	130,886,267	161,195,000	+23

Source: Computed from table 7.

TABLE 9.—*Civilian consumption of dairy products, per person, milk equivalent, averages 1925–29 and 1935–39, and annual 1945, 1950, and 1954*

[Pounds]

Year	Fluid milk	Fluid cream	Butter	Cheese	Evaporated and condensed milk	Ice cream	Other	Total milk-equivalent
Average:								
1925–29	270	68	358	46	26	24	6	798
1935–39	264	66	337	55	36	25	8	791
1945	335	64	216	65	39	37	21	777
1950	203	56	212	75	43	44	8	731
1954	299	53	177	76	36	46	10	697
	Percentage of total milk							
Average:								
1925–29	33.8	8.5	44.9	5.8	3.3	3.0	0.7	100.0
1935–39	33.4	8.3	42.6	7.0	4.6	3.2	.9	100.0
1945	43.1	8.2	27.8	8.4	5.0	4.8	2.7	100.0
1950	40.1	7.7	29.0	10.3	5.9	6.0	1.0	100.0
1954	42.9	7.6	25.4	10.9	5.2	6.6	1.4	100.0

Source: Dairy Situation, U. S. Department of Agriculture, October 1954.

TABLE 10.—*Percent change in civilian United States consumption of dairy products per person, 1935–39 to 1954*

Product	*Percent change*
Fluid milk	+13
Fluid cream	−20
Butter	−47
Cheese	+38
Evaporated and condensed milk	0
Ice cream	+84
Total milk equivalent	−12

Source: Computed from table 9.

TABLE 11.—*Changes in butter and oleomargarine consumption and prices, April 1954–January 1955, compared with a year earlier*

Product	Retail prices (cents per pound)		Percent change	Percent change in total United States consumption
	April 1953 to January 1954	April 1954 to January 1955		
Butter	75.2	67.0	−11	+6
Oleomargarine	26.1	26.3	+1	+5

Source; Household purchases of butter, cheese, nonfat dry milk solids, and margarine, January 1955, U. S. Department of Agriculture report dated March 1955.

TABLE 12.—*Consumption per capita of fluid milk and cream in certain markets of the United States, 1950*

[Pints per capita, daily]

Market	Whole milk	Fluid skim	Total	Fluid cream (milk equivalent	Total milk equivalent
Duluth-Superior	0.96	0.05	1.01	0.28	1.24
Quad Cities	.90	.07	.97	.21	1.11
Minneapolis-St. Paul	.87	.05	.92	.28	1.15
Fort Wayne	.82	.07	.89	.13	.95
Worcester	.86	.02	.88	.17	1.03
Springfield, Mass	.85	.02	.87	.15	1.00
New York [1]	.84	[2].02	.86	.24	1.08
Fall River	.83	.03	.86	.12	.95
Connecticut	.82	.02	.84	.16	.98
Chicago	.81	.02	.83	[3]	[3]
Cleveland	.77	.06	.83	.17	.94
Boston	.80	.02	.82	.24	1.04
Dubuque	.77	.04	.81	.18	.95
Niagara Frontier	.78	[2].02	.80	.10	.88
Lowell-Lawrence	.76	.01	.77	.13	.89
Rochester [4]	.74	[2].02	.76	.09	.83
Philadelphia	.74	[3]	[3]	[3]	[3]
Omaha-Council Bluffs	.68	.05	.73	.18	.86
St. Louis	.66	.06	.72	.11	.77
Baltimore [4]	.68	[3]	[3]	[3]	[3]
Sioux City	.64	.06	.70	.19	.83
Kansas City	.62	.06	.68	.11	.73
New Orleans	.50	.03	.62	.05	.64
Richmond [4]	.57	[3]	[3]	.05	.62

[1] From a special study by Patricia Froelich, unpublished thesis, Graduate School of Cornell University, 1953.
[2] Estimated.
[3] Data not available.
[4] Data for 1949 from Consumption of Fluid Milk and Cream in Northeastern Marketing Areas, Bureau of Agricultural Economics, U. S. Department of Agriculture.

Source: Except as noted below, the data were taken from the Fluid Milk and Cream Report, Bureau of Agricultural Economics, U. S. Department of Agriculture, December 1951. Originally compiled by Leland Spencer, Cornell University, with U. S. Department of Agriculture corrected figures for St. Louis and Quad Cities, and addition of data for New Orleans, Connecticut, and Chicago.

TABLE 13.—*Consumption of milk and cream in the New York City market, 1940–54*

Years	Population (thousands)	Total consumption (million quarts daily)			Consumption per capita (pints daily)		
		Milk	Cream [1]	Total	Milk	Cream [1]	Total
1940	8,633	3,260	1,357	4,617	0.76	0.31	1.07
1941	8,567	3,334	1,292	4,627	.78	.30	1.08
1942	8,507	3,413	1,123	4,536	.80	.27	1.07
1943	8,297	3,587	604	4,191	.86	.15	1.01
1944	7,996	3,743	578	4,321	.94	.14	1.08
1945	8,026	3,913	759	4,672	.97	.19	1.16
1946	8,546	4,109	818	4,927	.96	.19	1.15
1947	9,031	4,058	1,028	5,086	.90	.23	1.13
1948	9,230	3,957	968	4,925	.86	.21	1.07
1949	9,334	3,959	1,027	4,986	.85	.22	1.07
1950	9,467	3,989	1,042	5,031	.84	.22	1.06
1951	9,650	4,010	1,055	5,065	.83	.22	1.05
1952	9,806	4,052	1,022	5,074	.83	.21	1.04
1953	9,947	4,040	1,006	5,046	.81	.20	1.01
1954 [2]	10,090	4,067	1,006	5,073	.80	.20	1.00

[1] Milk equivalent.
[2] Preliminary.

Source: Adapted by Leland Spencer, Cornell University, from data compiled by Patricia Froelich, market administrator's office, New York metropolitan milk marketing area.

TABLE 14.—*Per capita milk consumption rates in Boston, Connecticut, New York, and the United States, selected years*

Year	Boston	Connecticut	New York	United States
1940	0.72	0.69	0.76	0.68
1945	.93	.96	.97	.85
1949	.83	.82	.85	.75
1951	.80	.84	.83	.76
1954	.82	.84	.80	.76
Percent change, 1940–54	+14	+22	+5	+12

NOTE.—The 4 series above are not entirely comparable in their inclusion or exclusion of fluid skim milk and milk used in flavored drinks. The 1954 data are preliminary.

Source: Boston, market administrator; Connecticut, milk administrator and University of Connecticut; New York, Cornell University; United States, Dairy Situation, October 1954.

TABLE 15.—*Average daily sales of whole milk in 28 Federal order areas, 1952, 1953, and 1954*

[Thousands of pounds]

Marketing area	1952	1953	1954	Percent change, 1952 to 1954
Wichita, Kans	177	195	215	+21
Kansas City, Mo., Kans	581	627	686	+18
Columbus, Ohio	414	460	481	+16
Dayton-Springfield, Ohio	444	479	513	+16
Knoxville, Tenn	104	106	118	+13
Nashville, Tenn	268	284	304	+13
Cleveland, Ohio	1,281	1,385	1,438	+12
Toledo, Ohio	398	424	444	+12
Tulsa-Muskogee, Okla	239	252	268	+12
Milwaukee, Wis	844	902	931	+10
St. Louis, Mo	934	974	1,019	+9
Cincinnati, Ohio	608	644	657	+8
Detroit, Mich	2,623	2,779	2,842	+8
Louisville, Ky	458	475	495	+8
Puget Sound, Wash	983	1,010	1,058	+8
Springfield, Mass	372	390	403	+8
Chicago, Ill	4,955	5,075	5,283	+7
Fort Wayne, Ind	127	131	136	+7
Sioux City, Iowa	72	75	77	+7
North Texas	953	950	1,009	+6
Quad Cities, Ill., Iowa	232	231	245	+6
New Orleans, La	453	462	476	+5
Boston, Mass	1,882	1,893	1,913	+2
Fall River, Mass	110	112	112	+2
Philadelphia, Pa	1,911	1,929	1,950	+2
New York, N. Y	8,533	8,599	8,585	+1
South Bend-LaPorte, Ind	185	187	185	----------
Topeka, Kans	83	84	82	−1
Total	30,224	31,114	31,925	+5.6

Source: Fluid Milk and Cream Report, U. S. Department of Agriculture, Feb. 16, 1954. Of the 30 markets listed, 2 are omitted (Minneapolis-St. Paul and Omaha-Lincoln-Council Bluffs) because the data are not comparable over the 3-year period.

Mr. ABERNETHY. Mr. Johnson?

Mr. JOHNSON of Wisconsin. I would like to go back to where you talked on page 11 of your statement, point 3, "Quota plans under Federal orders."

Are these quota plans and marketing quotas that you mention here in use in some of the milksheds at this time?

Mr. JOHNSON. As of the 1st of January, 22 of the 54 Federal order markets were using the quota plans.

Mr. JOHNSON of Wisconsin. Does that give the farmer a base quota that works a good deal like with the basic commodities at the present time?

Mr. JOHNSON. There are similarities and differences. The plans differ somewhat among markets but in general the quota is established by the farmers' delivery in certain fall months of the year. And they are used only in paying out and determining prices to farmers in the spring markets. There are some exceptions, like Detroit, for example, but I think the bulk of the 22 quota plans in use fall in that range.

They are different from the quota plans used say on wheat or cotton in that they apply only to part of the production, that they do not set a hard and fast limit on the amount to be produced but rather divide production into two parts, with a lower price for the extra part. Those are two differences from tobacco and wheat quotas.

Mr. JOHNSON of Wisconsin. I have introduced legislation for the purpose of bringing out and finding out whether it is feasible to have marketing quotas.

Have you made any study of that field? As I say, I have introduced legislation on the production and marketing quotas for the dairy industry, with subsidy payments to the producer, so that consumption will take care of the total production. Have you made any study of that phase of that particular field; have you any idea on it?

Mr. JOHNSON. I have made some study. Let me hasten to say at the outset of this, I have not reached any conclusions either in endorsing or proposing quotas. But I have reached some general conclusions on their form as they are used. Among those conclusions are these:

First we have a lot of dairy farms in the United States, about 2 million places that have cows. Administratively we have more of a problem if you use quotas. Unless you begin to put in some exclusions, you have more of a problem than you do on wheat or cotton. You have cows in every one of the 48 States and you have a large number of them.

Because of that situation, it seems to me that it might be well to concentrate first, if the plan is used, on the markets that already come under some regulations like fluid markets where you have administrative machinery already set up, where you have larger producers than average, and perhaps shift to partially closed bases in fluid markets first and get some experience. I am not recommending that. I repeat again, I am—this is only 1 of 2 or 3 points that occur to me—if quotas are used, I think there is a big advantage in making them transferable, and not tying them to the land. And letting a farmer that wants to quit, to dispose of his quota to another farmer that wants to stay in production.

Mr. ABERNETHY. The general object of marketing quotas is to control surplus production. When a man or a farmer decides that he wants to quit farming, we will say, and he is operating on a farm of the type on which quotas are imposed, and he discontinues his operation, discontinues the production of that particular crop, he contributes that much to the solution of the surplus. I think what you are suggesting now would just perpetuate the problem.

Mr. JOHNSON. I think that what you have said is correct, sir, but on the other hand, if the farm has a quota and he can not get rid of it to anybody else, that may be one reason why he stays in production, and does not quit sooner. Whereas, if he could get rid of that quota to a neighbor he might say, well, that is another reason why I will get out of the business.

Mr. ABERNETHY. So long as he is producing on that particular farm, that farm is entitled to that quota. It has a quota.

It does not go with the farmer; it goes with the farm.

Mr. JOHNSON. That is right. But if the quota has value——

Mr. ABERNETHY. That is value only to the extent that it contributes to reduction of surplus.

Mr. JOHNSON. If the quota has value to the holder thereof, he is likely not to give that up, that value up quickly. He is apt to find ways of utilizing that quota even if he quits farming. And rules and regulations can be written, 10 pages, 20 pages, 30 pages, and ways of evading those regulations will be found. In fluid-milk marketing there have been instances where in order to utilize quotas when they are not transferable, a system is set up whereby the truckers change milk from one can, one farmer's cans to another, to make sure that all of the quota milk that is allowable gets the quota price. And my only point on this is that with the effect on total production hard to determine, if they should be made transferable, because of opposite reasons, and with administrative prevention difficult and with evasion likely, I would lean toward making them transferable.

Mr. JOHNSON of Wisconsin. I believe I understood you to say that you had only or would only advise them as part of the market first not as to the grade A market.

Mr. JOHNSON. I am not endorsing or opposing quotas but it seems to me if they are to be used, and with 2 million dairy farmers in the country, we ought to get some experience on a less widespread basis first, to find out through experience some of the bugs in them.

Mr. ABERNETHY. First let me say you are familiar with the provisions of the so-called Marketing Quota Act, I assume, the various commodities that are marketed under quotas?

Mr. JOHNSON. Not in detail.

Mr. ABERNETHY. You are familiar with the provisions generally?

Mr. JOHNSON. With the general question.

Mr. ABERNETHY. You are familiar with the controls that go with it, that price support is available as a consideration for bringing production down to a certain level, that is the general theory.

Mr. JOHNSON. That is correct.

Mr. ABERNETHY. Have you studied this quota proposal sufficiently to express an opinion as to whether or not the dairy industry would satisfactorily lend itself to that type of program?

Mr. JOHNSON. I have not studied it enough to come out with a flat "yes" or "no." I would have to give an unsatisfactory answer; it all depends on what type of system is used.

Mr. ABERNETHY. All right.

Mr. JOHNSON of Wisconsin. If you were going to try out the quota system, it would have to be based on milk. It could not be based on cows. Would that be your opinion?

Mr. JOHNSON. I think that it would have to be based on milk, on output rather; in fact, I think that generally that is true. I think the arguments are stronger toward putting quotas on output rather than on units of input. On bushels of wheat rather than on acres of land.

Mr. ABERNETHY. The marketing quota under the so-called basic act is so many bushels of wheat, so many pounds of cotton, which of course is produced from the acreage that is allotted.

The marketing quota of the dairy farmer could be so many hundredweight of milk.

What would you do with the surplus that he produced, over and above the marketing quota, something that you do not have with basics?

Mr. JOHNSON. I think that the quota plan would have to be different from that for milk, if one were used in going toward a differentiation in price for the extra milk rather than a flat prohibition of extra milk. That is just too hard to tell how much milk the cows are going to give this morning.

Mr. LAIRD. You would have to have some base excess proposal?

Mr. JOHNSON. I think so.

Mr. JOHNSON of Wisconsin. So that the extra production would not be profitable for him to produce?

Mr. JOHNSON. That is right.

Mr. ABERNETHY. There then—what would you do with the cows that produced that excess production?

Mr. JOHNSON of Wisconsin. For instance, if I may interrupt—I know on a dairy farm 10 or 15 years ago they used to have an extra cow or 2 around that they used for calves. At the present time, they are using calf milk. They used to feed skim milk to the pigs. There are a lot of those things they do not do today. There are places where he could be used on the farm.

Mr. JOHNSON. There are places where it could be used if other means could be found such as this school-milk program, of getting satisfactory income.

Mr. ABERNETHY. That is part of the present market. That is already in the picture. That is already taken into consideration.

Mr. JENNINGS. But we are not spending but half of the money. Then it appears not to be a big part of the program.

Mr. ABERNETHY. That is quite true.

Mr. JOHNSON of Wisconsin. Do you think, if I were to take your statement, do you think that every effort should be made to continue to sell but you would not be against a system with production controls and marketing quotas because in the background it could be used for the surplus?

Mr. JOHNSON. I am certainly of the opinion that we ought to be thinking about how this device could be used and how it can be used best.

Mr. JOHNSON of Wisconsin. What is your estimation?

Mr. JOHNSON. Personally, I would hope that some of these other methods could be pursued more vigorously to the point where each one of 2 million farms did not need to be given a quota. And that comes partly from the administrative difficulty that I see.

Mr. JOHNSON of Wisconsin. Have you any figures that you could give us, say, roughly, on what this overproduction is costing the farmer today, the dairy farmer?

Mr. JOHNSON. That is a hard question to give an answer to. Of course the farmer's income depends not on price alone but on volume times price. His gross income, and then you have to deduct the cost. You have to make some estimates on which economies do not agree, as to what prices would prevail at different levels of production. I have not made those calculations, so I am afraid I cannot give you a satisfactory answer.

Mr. JOHNSON of Wisconsin. I say this increased production has also caused the money value of the dairy herds to drop.

Mr. JOHNSON. He has had a capital loss, if he were going out of business or curtailing his production, yes.

Mr. JOHNSON of Wisconsin. That is all.

Mr. LAIRD. I wondered if you had any figures developed on the comparison of the increases in cousumption in the regulated and unregulated markets?

Mr. JOHNSON. I do not have them for many of the unregulated—only for a few of the unregulated markets.

Mr. LAIRD. How do they average?

Mr. JOHNSON. Market by market.

Mr. LAIRD. Compared to the average of the regulated markets?

Mr. JOHNSON. You could get some picture by looking at what happens in the United States. The estimate for the United States as a whole compared with other markets.

Mr. LAIRD. What is your average in the United States?

Mr. JOHNSON. If you look at table 14, for example, we have figures for years for Boston, Connecticut, New York, and the United States. Boston is a regulated market with a Federal order; so is New York. Connecticut has State milk control. I assume you would call that regulated even though it does not have a Federal order.

Mr. LAIRD. I am speaking of States under State orders. When I talk of "regulated," that is what I am speaking of.

Mr. JOHNSON. Between 1951 and 1954, for the country as a whole, per capita consumption did not change. It stayed at 0.76. In the 3 examples the per capita consumption went up from Boston from 0.80 to 0.82. It stayed the same in Connecticut at 0.84 and in New York went down from 0.83 to 0.80.

Mr. LAIRD. What is the average for the regulated markets in 1954?

Mr. JOHNSON. I do not know exactly. I would assume that it would be fairly close to the 0.80 because New York makes up such a large part, even though it is only 1 of the 54 Federal-order markets, it has such a large population that it influences the total considerably. I would guess that in the regulated markets it might be 0.80. Let me hasten to add their consumption generally per capita is higher in the North than in the South. You have more producers under Federal orders in the North than in the South. So that you would expect per capita consumption to be higher, and it is.

Mr. LAIRD. Then you would say that there the increase in consumption was lower in the regulated markets as compared with the consumption in the United States.

Mr. JOHNSON. No; I think it would be a little higher in the regulated markets.

Mr. LAIRD. I notice in New York you show a decrease in consumption in New York.

Mr. JOHNSON. We have two things that I was talking of as the ones. One is the percent change, say, from 1951 to 1954; and the other is where the rates are now.

Mr. LAIRD. What I was thinking of was the percentage change in consumption, of the regulated markets, and the unregulated markets, taking 1951 and 1954.

Mr. JOHNSON. I think they are nearly identical and I base it on general observation of the markets. I doubt whether you would find any statistically significant difference in the percent change in per

capita consumption between 1951 and 1954 in the regulated as contrasted to the unregulated markets.

Mr. LAIRD. Doctor, we have had testimony here that butter and cheese prices to the consumer dropped since April 1. The retail butter prices averaged 11 percent lower this year than a year earlier. But we have not been able to get any reason why that same decrease in retail prices is not carried through on fluid milk. As a matter of fact, we had testimony that showed that fluid-milk prices had gone down only four-tenths of 1 cent a quart. I wondered if you had made any study of that problem? Do you follow me?

Mr. JOHNSON. Yes; I follow you. I have not made a research study myself of this matter of dealer spreads and resident changes there in the last year or two, and I accept your figure. What was the retail milk price drop, it went down only 4 percent?

Mr. LAIRD. No; four-tenths of 1 cent per quart, the average retail price of milk went down four-tenths of 1 cent per quart.

Mr. JOHNSON. Which would be on 20-cent milk, about 2 percent.

Mr. LAIRD. Pardon me.

Mr. JOHNSON. On 20-cent retail price, that would be about a 2 percent drop in the retail price of milk.

Mr. LAIRD. On a 20-cent price that would figure out about that; yes. I notice you bring out retail price drop in butter was 11 percent.

Mr. JOHNSON. Let me give you 1 or 2 observations on that. One is that I do not think that the class I prices have come down. I know they have not come down percentagewise as much as butter prices in the past year. Of course, butter price was particularly hard hit in this drop in support level. The present support prices for skimmed powder is higher than it was, for example, a year and a half ago, right now, and the price of cheese was not dropped as much as the price of butter. Butter was in the news and the Government chose to make the big drop in butter. So that, first of all, the drop in the price of butter is more than in the price of all manufactured dairy products.

It is more percentagewise than the drop in the class I price. So part of this reason between minus 2 and minus 11 is that product cost to the dealer did not decline as much.

Then on the dealer-margin side, that tends to be pretty sticky and it stayed just about the same. That has not changed very much in the last 12 months. If anything, the dealer's margin has been tending to move upward a little bit, as routemen's wages have gone up and as they have changed from a 6-day week to a 5-day week, and so forth.

Mr. JOHNSON of Wisconsin. Have the dealers' profits gone up, too, in the last year?

Mr. JOHNSON. I think that large dairy companies made more money last year than the year before.

Mr. WILLIAMS. Did I understand you to say that you operate in Connecticut under a State order instead of a Federal milk-marketing order?

Mr. JOHNSON. Yes, sir.

Mr. WILLIAMS. You do have surplus problems in the State of Connecticut?

Mr. JOHNSON. Yes, sir.

Mr. WILLIAMS. Do you absorb your own surplus there under your State order?

Mr. JOHNSON. All of the milk is priced except the country plant milk which comes from outside, and that amounts to about 8 percent

of the total. The 92 percent the producers receive a blend price based on class I and class II and class I–A.

Mr. WILLIAMS. In other words, you consume or process all of the milk produced in the State of Connecticut?

Mr. JOHNSON. About 15 percent of the milk goes to Rhode Island and of Connecticut milk about 25 percent comes from New York and Massachusetts. And of the supply for Connecticut dealers they consume or process the entire supply.

Mr. WILLIAMS. About 25 percent of your supply comes from New York State?

Mr. JOHNSON. New York and Massachusetts.

Mr. WILLIAMS. So that relatively you do not have any surplus problems in the State of Connecticut?

Mr. JOHNSON. This is all a matter of relativity. The producer organizations think they have a surplus problem; but, compared with the surplus problem in the New York milkshed, it is so much less you might say we have no surplus problem.

Mr. WILLIAMS. Your State order does control the volume of milk coming into the State from other localities?

Mr. JOHNSON. No outside milk can enter freely.

Mr. WILLIAMS. Any time of the year?

Mr. JOHNSON. Any time of the year.

Mr. WILLIAMS. What are the provisious for that outside milk coming in there?

Mr. JOHNSON. Part of the outside milk that comes from what are known as direct shippers. The milk goes into the bulk cooling tank or the cans to the farmer and is delivered directly to the dealer's plant. That is about 17 percent of the total supply of the market. Those producers have a year-around market.

The country-plant milk; there are about 10 country plants that are approved to send milk in that are located in New York and Vermont. They send in only part of their supply, and they send in a larger part when the Connecticut market is short of milk than they do when it is long. The dealers use these country plants to some extent for balancing. Some dealers buy all of their supply from country plants. And others use it only in certain months of the year when they are short.

Mr. WILLIAMS. Your order operates under a classified program; does it?

Mr. JOHNSON. Yes, sir.

Mr. WILLIAMS. Then you have a blend price for your producers?

Mr. JOHNSON. Yes, sir.

Mr. WILLIAMS. That is all.

Mr. ANDRESEN. I am sorry I missed most of your statement. I would like to ask you, do you manufacture any butter in Connecticut?

Mr. JOHNSON. No, sir.

Mr. ANDRESEN. Or cheese?

Mr. JOHNSON. No cheddar cheese, sir. Some bakers' cheese and cottage cheese, but no cheddar cheese.

Mr. ANDRESEN. So the surplus milk that you do receive in your State goes into the New York or some other milkshed——

Mr. JOHNSON. Most of it is separated into cream and goes to consumers as fluid cream.

Mr. ANDRESEN. What do you do with your skim milk?

Mr. JOHNSON. The skim milk goes largely into bakers' cheese.

Mr. ANDRESEN. Into Cheese?

Mr. JOHNSON. Bakers' cheese.

Mr. ANDRESEN. What is the present or prevailing price that the producers receive for class I milk?

Mr. JOHNSON. In Connecticut, for 3.7 percent milk at the present time $6.04 a hundredweight delivered to the dealer's plant.

Mr. ABERNETHY. When you say 3.7, is that the minimum statute on milk?

Mr. JOHNSON. No; the minimum is lower than that. I think it is 3.29 but prices are quoted for milk containing 3.7 percent butterfat.

Mr. ABERNETHY. What?

Mr. JOHNSON. And the average test will run very close to 3.7.

Mr. JOHNSON of Wisconsin. What is the blend price?

Mr. JOHNSON. The blend price varies seasonally. They have a takeout and payback plan. So it depends on what month of the year with about 95 percent of the milk in class I, the blend price comes farily close to that 6.04. It comes to about $5.60.

Mr. ANDRESEN. Have the herds of dairy cattle increased in your State since 1937 when this order went into operation?

Mr. JOHNSON. No, sir; they have declined very sharply. I can give you the number if I can find that data. In 1935 there 7,686 dairy farms registered in the State for the sale of milk. In 1954, there were 3,842. If it had been 3,843 that would have been right on on the nose of a decline of 50 percent. So with the exception of that one farm it would have been 1 farm out of 2 went out of production.

Mr. ANDERSEN. How has the production kept pace with the decrease in the milk cow population?

Mr. JOHNSON. I did not say the milk cow population declined. This is the number.

Mr. ANDERSEN. You said the number of farms?

Mr. JOHNSON. The number of farms dropped. On production there has been an increase. And in the tables that I presented, I show the figure between 1938 to 1940 and 1954 as being 10 percent, an increase in milk production in the State between 1938 to 1940 and 1954 of 10 percent.

Mr. ANDERSEN. How does that compare with the number of milk cows?

Mr. JOHNSON. I think the number of milk cows is down a little. Production per cow, I know, is up sharply. This is just a guess, but I would think that the number of cows was down by 5 percent and production per cow up about 15 percent over that period, resulting in this plus count in production.

Mr. ANDRESEN. Apparently your farms are largely commercial propositions?

Mr. JOHNSON. Largely so, and becoming more so; fewer farms, but larger farms.

Mr. ABERNETHY. Well, now, it is not absolutely correct to say, as you said a moment ago, that 50 percent of your farms went out of production. It it not correct to say that your farms just merged and they became bigger operators?

Mr. JOHNSON. Some of the acreage was absorbed in other farms, a good deal of it went back to woods. Some was taken up by roads and some by a housing project, and so on.

Mr. ABERNETHY. And you had more production from that which remained?

Mr. JOHNSON. Yes.

Mr. ABERNETHY. That trend has been nationwide; has it not?

Mr. JOHNSON. Yes.

Mr. ANDRESEN. You say that your farmers are getting $6.04 for their class I milk, and how much did you estimate for the blend?

Mr. JOHNSON. Year around perhaps $5.60.

Mr. ANDRESEN. With milk production due to the advantageous price in Connecticut, do you find any milk flowing from New York producers into Connecticut?

Mr. JOHNSON. Yes, sir.

Mr. ANDRESEN. Can you give us some idea as to the volume?

Mr. JOHNSON. If you will include Massachusetts, it would be around 25 percent of the total.

Mr. ANDRESEN. Do you have certain surplus milk that also flows into the State of New York?

Mr. JOHNSON. Very little is shipped the other way.

Mr. ANDRESEN. Now is Connecticut in that same milkshed?

Mr. JOHNSON. I think there are 14 farmers left in the State that sell under the New York order. A few years ago there were many. In fact, the last country plant which was under the New York order was closed only, I think, 2 years ago, possibly 3 years ago, but the situation has changed.

More of the milk has gone over into Rhode Island, and has left Connecticut and more of a deficit market and——

Mr. ANDRESEN. Would it be possible to ship milk or cream from Wisconsin and Minnesota and the Midwest into Connecticut?

Mr. JOHNSON. It would not only be possible but has been done. They brought in a few tank truckloads either 2 or 3 years ago in late August or early September, when we had hot weather and the market was short. They brought in some, I believe at that time, from Indiana and if you go back to the war years, in the fall of 1947 and a few of the earlier years, they brought in quite substantial quantities from the Midwest.

Mr. ANDRESEN. Was there any penalty imposed upon the cream or milk coming in from Indiana?

Mr. JOHNSON. No, sir.

Mr. ANDRESEN. So you do not operate to have what is known as compensatory payments in connection with your marketing order?

Mr. JOHNSON. No, sir.

Mr. ANDRESEN. In other words, at any time a farmer who can meet the sanitary requirements of Connecticut can ship milk or cream into the area?

Mr. JOHNSON. With that proviso of meeting the sanitary requirements and obtaining approval, the answer is "Yes."

Mr. ANDRESEN. I did not get that?

Mr. JOHNSON. Yes; as you stated it, the answer is "Yes."

Mr. ANDRESEN. Even though you do produce enough at any one time to take care of the needs of your own area?

Mr. JOHNSON. Yes, sir.

Mr. ANDRESEN. And there is no penalty assessed?

Mr. JOHNSON. No, sir.

Mr. ANDRESEN. Do you observe the United States Public Health Milk Code in your State?

Mr. JOHNSON. The State has its own health regulations, which it enforces, which differ, I believe, in some respects from the United States Public Health Code My field is economics and not sanitary requirement. I still have enough experience and knowledge of it to go that far on the sanitary phase.

Mr. ANDRESEN. Are you operating with the milk authority in your State or are you just a teacher?

Mr. JOHNSON. I am at the University of Connecticut, as a member of the faculty.

Mr. ANDRESEN. So you do not have anything to do with—you are familiar though with the laws of the State of Connecticut?

Mr. JOHNSON. My job is teaching and not regulations, but I am familiar with the law.

Mr. ANDRESEN. Is there any State law that fixes the price of milk to the producers and to the consumers?

Mr. JOHNSON. We do not have retail price fixing. We have not had it since the law was amended in 1941. So that the consumer—the dealer can sell to the consumer at any price he pleases.

Mr. ANDRESEN. But these prices that you quoted a few moments ago to the producer, are those the minimum prices or maximum prices?

Mr. JOHNSON. Those are the minimum prices. Those are the estimates of actual prices.

Dr. WILCOX. I might ask why does the blend price continue to be so high in Connecticut in relation to New York, those two prices do not level out between each other?

Mr. JOHNSON. The reason why the price does not, presents an interesting problem, one that I have studied considerably and I think that this is the explanation: The producers watch quite carefully what the blend prices are to producers in that frainge area where some farmers ship to the New York market and some ship to Connecticut. And you have certain townships where there may be 100 or 150 dairy farmers and they are divided fairly equally between the New York and Connecticut markets. The blend price tends to be a little higher when they ship to Connecticut. The hauling cost is greater of course. They have to pay 35 cents instead of perhaps hauling their own, even though there is some advantage there. But farmers do not tend to shift from market to market quickly. If they have been selling in one market for 10 years and the father sold there and the grandfather and they found this to be a good market, they do not shift for a nickel a hundredweight tomorrow. They think it over.

And the people in Connecticut realize that if this differential becomes wide to the point where they do shift the market is in trouble and probably they will need a Federal order and they do not want a Federal order. They would rather have State regulations. So they watch this differential very closely, and if they see that the Connecticut price is getting higher than the New York price, by more than enough so that the pressures will be on to bring in more of that outside milk, they lower their class I price. It is an unusual market. You have farmers that petition the milk administrator for the purpose of lowering the class I price and the reason is it is too high relative to New York. We are afraid that the price is too attractive. That has happened.

In further reply to your question, one of the reasons why the differential, why this operates, you will recall the New York price is quoted for 3.5-percent milk at the 200—and the important thing so far as producers shifting, is not that price, but the price in the area nearby. And in that area nearby there is a location differential of 25 cents. There is a transportation differential. There are some premiums being paid by the handlers in that area. They like nearby milk well enough so they are willing to pay premiums.

That tends to bring the New York price in this particular fringe area up much above the quoted New York price.

(A group of students from North Carolina came into the room from Chairman Cooley's district.)

(Discussion off the record.)

Mr. ABERNETHY. I think Mrs. Knutson has a question.

Mrs. KNUTSON. I asked the group yesterday how many of them drank milk. May I ask you how many of you drink milk?

(All raised their hands.)

Mr. ABERNETHY. I asked this question: How many of you do not drink milk?

(Just one.)

Mrs. KNUTSON. We had one yesterday, too. Shall we say that all of the good intelligent people drink milk and they usually find their way to the Nation's Capital. More power to you. Drink more milk.

Mr. ABERNETHY. We are glad you dropped by.

All right.

Mr. ANDRESEN. I am a little confused over one point and I would like to have you clear it up.

The blend price in New York is $3.80. And as I recollect it, you said the blend price in Connecticut was over $5?

Mr. JOHNSON. That is right.

Mr. ANDRESEN. What was that figure?

Mr. JOHNSON. $5.60.

Mr. ANDRESEN. If you do not have any restrictions on milk coming in from New York, it would seem to me that the New York dairy farmers are just as clever as the Connecticut farmers although I know they are Connecticut Yankees, but then they would be shipping more of their milk over into Connecticut. What do you do about that?

Mr. JOHNSON. You have to add to that $3.60, 2 pounds of butterfat, and perhaps 7 cents a point which would bring you up to $3.94. You have to add 7-cent transportation differential.

Mr. JOHNSON of Wisconsin. How much is the transportation differential?

Mr. JOHNSON. Seven cents, $4.01. You would have to add a 25-cent location differential which brings you to $4.26. You add premiums which vary from time to time, and have been as high as 60 or 70 cents a hundredweight. These are competitive premiums that the New York dealers pay voluntarily. They are not 60 or 70 cents now, but it will bring it up some more. And then the farmers are interested in what they get for the milk at the farm. And they have to pay about 35, 36, 38 cents to haul it into Connecticut. That is what it costs to truck it. It is a longer haul. Whereas, some of the dealers in New York—this is really part of the premium—give free hauling. They come out and collect the milk at the farm. So,

when you get through, I do not know how much you have got there, whether it is 60 cents or 50 or 40 cents, it varies, in fact some months—you will find some months in the last 24 when it would have paid the Connecticut farmer to ship over to New York, even though some months it is the other way around.

Mr. JOHNSON (Wisconsin). The farmers in Connecticut would ship if there were just a nickel difference, I thought you said.

Mr. JOHNSON. On that nickel thing, I said they would not shift on a nickel difference. They have to have more than that.

Mr. ABERNETHY. Any further questions?

Mr. JOHNSON (Wisconsin). I would like to make an observation on the small difference between your blend price and your grade I fluid milk price—maybe you are controlling your production so that you have not a lot of milk going into your surplus group?

Mr. JOHNSON. That is right, they would never be able to do it with the seasonal variation in production that the New York milkshed has.

Mr. JOHNSON (Wisconsin). Nor the production in Minnesota?

Mr. JOHNSON. Wisconsin and Minnesota do better on seasonality than some Federal order markets but Connecticut has much more even flow than Wisconsin or Minnesota the year around. And they do it deliberately through a taking out and paying back plan.

They take 50 cents out in May and June and pay it into the State treasury and then that fund is used to pay back in October and November.

That is the plan that is used in Connecticut, to encourage the farmer not to produce milk in the spring and to produce more in the fall, so that it will be in line with the fluid milkshed demands. If it were not for that, if they produced the seasonal pattern of New York, they would never get anywhere near the $5.60 blend price with $6.04 for class I.

Mr. JOHNSON (Wisconsin). With the protection that these Federal orders give the various milksheds, isn't this large overproduction we are having penalizing the farmers who are not under the Federal milk order? They are producing milk for manufacturing purposes?

Mr. JOHNSON. Well, it does, if they keep their class I prices too high, to the point where supplies are excessively burdensome, and there are some markets—I am thinking not so much of the Federal order markets as I am of some State markets, Buffalo and Rochester, N. Y., for example—where I think prices are set at points which cause this overproduction to the detriment of the surplus producer. On the whole, though, looking at these production figures, they are both to blame for this increased production, both Wisconsin and the fluid areas. That is, you look at this increase between 1952 and 1954, if you do, it has not been predominantly the Federal order markets that have caused that increased surplus. It has been the manufacturing areas.

I might add further that it seems to me that in the manufacturing areas, there might be some basis for complaint in that in fluid milksheds, the producers are held out the attraction of a blend price all of the time, whereas, that extra milk is only worth manufacturing—and the only way I know of to correct that is the quota plan, with either wholly or partially closed bases.

Mr. ANDRESEN. What is the general retail price of a quart of milk in your State?

Mr. JOHNSON. The general price is 24 cents, delivered to the home. And a penny cheaper at the store.

Mr. ABERNETHY. Do you have a price-fixing board?

Mr. JOHNSON. No, it is competitive; so that you find different prices in different areas of the State.

Mr. ANDRESEN. Your farmers, of course, get twice as much for their milk as the farmers out in our section.

Mr. JOHNSON. They get quite a little more.

Mr. ANDRESEN. Not a little more, our farmers are getting $2.90 a hundred this month for their 3.5 milk. And you are paying a blend price of over $5.

Mr. JOHNSON. That is right.

Mr. ANDRESEN. So it is nearly twice as much. We think we have got as good milk out in our section as you have in your area.

You certainly come from the right place, I know that.

Mr. JOHNSON (Wisconsin). It was advocated by Mr. Zimmerman from the Grange the other day in his observations that these Federal milk marketing orders cover a whole section like the Northeast section of the United States——

Mr. ABERNETHY. Regional orders.

Mr. JOHNSON. (Wisconsin). Instead of just local areas. You say there are differences now in New York State between the various cities. What comments do you have to make on that?

Mr. JOHNSON. In Great Britain, I have observed their system. They do have a national order. And it works pretty well. They are a small country about the size of New York and Pennsylvania. You can go either of two ways.

You can put in regional orders, and then put in local adaptations, or you can have local orders and have those local orders adapted to the overall situation.

I have attended many of the hearings on Federal orders in the New York market and elsewhere, and I get the general impression that the problems that they are trying to tackle in New York had not better be enlarged too much. They are almost too large to cope with now.

So that I lean a little bit toward adapting local regulations, to larger regulations, rather than having the overall regulation for the entire area.

Mr. ANDRESEN. You are operating under a milk order in Connecticut?

Mr. JOHNSON. Under a State milk order, not a Federal order.

Mr. ANDRESEN. Under a State order?

Mr. JOHNSON. Right.

Mr. WATTS. Mr. Johnson, what is your observation on the idea that the production of milk should level itself off the year around so that we have about the same production in the fall as you have in the spring? Would that have a tendency to solve any of the problems that confront the dairy industry?

Mr. JOHNSON. Well, in the manufacturing areas, I see no reason for having differentials over and beyond what result from the seasonal variation in manufacturing milk prices. I recognize, of course, if they rest heavily on the floor, that means very little seasonal variation in fluid markets.

I think that there is some saving to be made in several markets by going further toward leveling out production seasonally. I am

thinking of the New York market as one. I do not look at leveling out as being an overall panacea that would go very far toward helping out the dairy industry, but in selected spots, I think it would be helpful in fluid markets to do more leveling out.

Mr. WATTS. That has been the thing behind the quota, has it not, by individual processors?

Mr. JOHNSON. Quotas traditionally have had two purposes, one to limit production and the other to level it out seasonally.

The 11 quota plans being used under the Federal orders now are also seasonal plans aimed at leveling out production seasonally.

Mr. WATTS. There has been no discouragement under the quota system, has there, toward the shipping of any amount of milk you want to ship in the fall?

Mr. JOHNSON. Not that I know of, sir.

Mr. WATTS. In other words, the purpose of it is to stimulate more milk in the fall and less milk in the spring?

Mr. JOHNSON. That is primarily the purpose.

Mr. WATTS. That is the reason that your spring quota is usually based on the amount of milk that you deliver in the 3 or 4 fall months?

Mr. JOHNSON. Yes, sir.

Mr. WATTS. Or a certain percent over and above?

Mr. JOHNSON. Yes, sir.

Mr. WATTS. And you think that maybe farmers would level their production off during the year. If they did, it might help in the fluid milk market and not in the manufacturing field?

Mr. JOHNSON. I think that is right.

Mr. WATTS. That is all.

Mr. ABERNETHY. We certainly do appreciate your making this trip down here and bringing us this fine statement. You have given us some very valuable information. It has been interesting and informative.

If there are no other questions, the committee will stand adjourned until 10 o'clock in the morning.

(At 12:10 p. m. the committee recessed to reconvene at 10 a. m., Thursday, April 28, 1955.)

STUDY OF THE DAIRY INDUSTRY

THURSDAY, APRIL 28, 1955

HOUSE OF REPRESENTATIVES,
COMMODITY SUBCOMMITTEE ON DAIRY PRODUCTS,
OF THE COMMITTEE ON AGRICULTURE
Washington, D. C.

The Commodity Subcommittee met, pursuant to adjournment, in room 1308 New House Office Building, Honorable Thomas C. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy (presiding), Polk, Johnson, Knutson, Andresen and Laird.

Mr. ABERNETHY. The committee will come to order.

We have met this morning for the purpose of hearing testimony from the National Milk Producers Federation. Mr. Mason, I presume you are to make the statement.

Mr. MASON. Yes, sir.

Mr. ABERNETHY. And you have a prepared statement which you have already distributed.

Mr. MASON. That is right.

Mr. ABERNETHY. All right, sir, you may proceed.

STATEMENT OF J. P. MASON, DIRECTOR OF THE DIVISION OF ECONOMICS OF THE NATIONAL MILK PRODUCERS FEDERATION; ACCOMPANIED BY PATRICK HEALY, ASSISTANT SECRETARY; WILLIAM GROVES, MEMBER, EXECUTIVE COMMITTEE; JOHN WAISANEN, PRESIDENT, ARROWHEAD COOPERATIVE, DULUTH, MINN.; AND WILLIAM T. ECKLES, PURE MILK PRODUCTS

Mr. MASON. Before starting, I might say that my name is J. P. Mason. I am the director of the economics division of the National Milk Producers Federation.

I have with me and participating with me Mr. Patrick Healy, the assistant secretary, and Mr. William Groves from Fond du Lac, Wis., one of our executive committee members.

I also have with me Mr. Eckles, manager of the Pure Milk Products at Fond du Lac, Wis. I might provide a little background on myself if that would be of some value. I was raised on a dairy farm at Elgin, Ill., in the Chicago milkshed.

Mr. ABERNETHY. I thought they made watches there.

Mr. MASON. We keep on time there. I took my training at the University of Illinois, and at St. Louis University. I spent 5 years with a cooperative milk marketing organization in central Illinois, doing work in the plant during part of the time and field work,

quality improvement, and producer relations during a portion of the time.

I spent 5 years with the USDA, part of which was in the office of the Market Administrator in St. Louis, as statistician and economist and part in the office of the Dairy Branch, where I worked on milk marketing orders.

For the past 9 years I have been in Illinois, working with a general farm organization, and working closely with the milk marketing cooperatives in Illinois. Two years ago I returned from Europe, where I spent a year as a dairy consultant to the special representative in Europe under the mutual security program. I joined the staff of the federation February 1.

Mr. ANDRESEN. That is when you were selling American dairy products over in Europe?

Mr. MASON. We were trying to find out what it was all about.

Mr. ABERNETHY. You may proceed, Mr. Mason.

Mr. MASON. The National Milk Producers Federation is a nationwide farm organization, the oldest and largest of the agricultural commodity groups in the United States. It is comprised of some 105 dairy cooperative members and many hundred submembers. The federation represents, in total, almost 500,000 dairy farm families. The cooperatives, which these farmers own and control, market every major type of dairy product.

Our purpose in testifying is to provide factual background relating to factors which must be considered in any program involving prices paid farmers delivering milk to fluid milk markets.

Dairying accounts for approximately 20 percent of total cash farm income in the United States. More than 2 million farm families derive all or a major portion of their income from dairy farming. The industry has its roots in almost every county in the 48 States. Farmers presently maintain a herd of 24½ million cows. Milk and dairy products constitute the greatest single food source toward making the United States the best fed nation on earth.

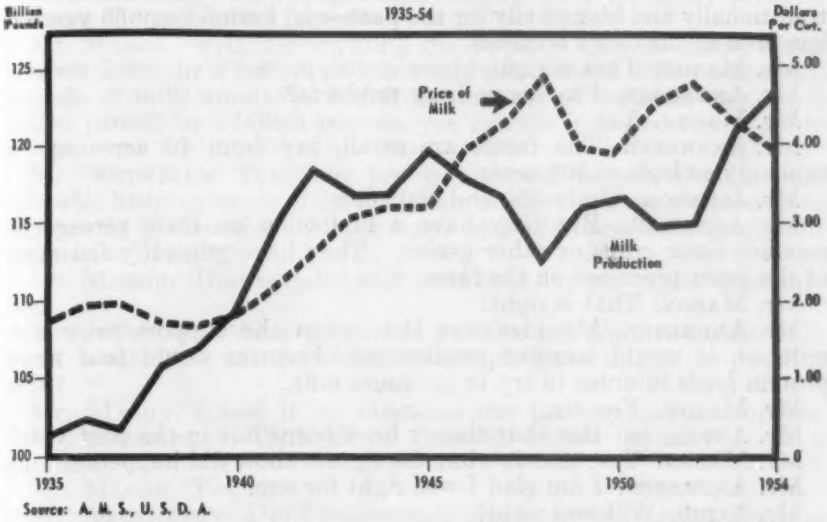
The dairy industry is large and extremely important to the welfare of the farmers and consumers alike. It is dynamic and is undergoing constant change.

Under these changing conditions many of the problems which come to the forefront, such as those being considered by this committee, involve consideration of economic factors underlying the price structure for fluid milk. The attention being given to the dairy problem is timely in view of the low prices being received by farmers for milk and cream. Chart I shows price movements and production changes over a 20-year period.

(Chart I is as follows:)

CHART I

Milk Production on U. S. Farms
and
Average Price Per Cwt. Received by Farmers for Milk Sold Wholesale,
1935-54



Source: A. M. S., U. S. D. A.

Mr. POLK. Mr. Mason, I notice on this chart, chart I, that it shows price drops but production increases. Is this an indication that lower prices will increase production?

Mr. MASON. Not necessarily and certainly not for the short time period. Over the long pull we know that when production is high in relation to demand, that prices are lower, and when production is low, in relation to demand, prices are higher.

But it is all a matter of what happens in terms of other factors in the economy. And in the case of the present upsurge in production which coincided with the drop in milk prices, I think it could be attributed possibly to two factors, one of course was that milk production was increasing partially as a result of low culling caused by the drop in beef prices.

And the other, as milk prices begin to decline and farmers had no other way to, they tended to milk more in order to get the semblance of the same dollar income.

Mr. ANDRESEN. Will you yield there?

Mr. POLK. Yes.

Mr. ANDRESEN. What you have just said about producing more because of lower income, is that the general theory of economists?

Mr. MASON. No. Over the long period that may not hold but that certainly is one of the short time realistic things that did happen.

Mr. ANDRESEN. Well, one of the arguments used before our committee and throughout the country was that, if the support price would be reduced from 90 to 75 percent, it would decrease production. And I contended the other way, although I am not an economist.

Mr. JOHNSON. Isn't that more true where there is some other particular crop that pays better, that the farmer can go into, but when all crops are down, he has no choice?

Mr. MASON. When everything is down, there is no place to go. You cannot get the same results as if other production opportunities are available, which they were not in this particular case.

Mr. ANDRESEN. Well, now, my area and the Wisconsin area is traditionally and historically for the past—oh, I would say 50 years—has been in the dairy business.

Mr. MASON. That is right.

Mr. ANDRESEN. Producing dairy products?

Mr. MASON. Yes.

Mr. ANDRESEN. The farms are small, say from 40 acres up to probably as high as 200 acres.

Mr. JOHNSON. Up to 350 and 400 acres.

Mr. ANDRESEN. But they have a limitation on their acreage to produce basic crops or other grains. They have generally fed most of the grain produced on the farm.

Mr. MASON. That is right.

Mr. ANDRESEN. My idea was that when the support price was reduced, it would increase production. Farmers would feed more protein feeds in order to try to get more milk.

Mr. MASON. Yes, sir.

Mr. ANDRESEN. Has that theory been borne out in the past year?

Mr. MASON. Yes; that is what the figures show did happen.

Mr. ANDRESEN. I am glad I was right for one.

Mr. LAIRD. Will you yield?

Mr. ANDRESEN. Yes.

Mr. LAIRD. I notice you discuss the short-term trend—what is the long-term trend? I wondered what that was.

Mr. MASON. In the long run, if prices for milk are low in comparison with other prices there is going to be some shifting away from milk into other available production opportunities.

It is all a matter of relative degree.

Mr. JOHNSON. Hasn't that happened in hogs the last few months? Hogs have been high, and people have gone into hogs, and now pork is on the downgrade.

Mr. MASON. Of course, you can get into pork, into poultry, and into some of the other commodities quicker and get out quicker than you can in the case of the dairy business.

Mr. ANDERSEN. Does it not take from 5 to 10 years or more to get a good dairy herd?

Mr. MASON. Yes. The acquisition of a good dairy herd is practically a life's work. It involves almost a generation to get a good herd.

Mr. ANDRESEN. Some people have an idea you can get in and out of dairying overnight and I wanted to get that in the record and get your opinion on it, because I know that there are many dairy farmers in my area that have worked a lifetime building up a herd.

Mr. MASON. That is right.

Mr. ANDRESEN. And now if you will permit, Mr. Chairman, and the gentleman from Wisconsin, what are the other factors? Do you touch on the other factors in your statement that in the long run will change the dairy picture? Have you that in your paper?

Mr. MASON. No; we have not.

Mr. ANDRESEN. What is your idea about the population factor?

Mr. MASON. The population factor is the greatest single hope for the dairy industry.

Mr. ANDRESEN. Our population they say is being increased now at the rate of about 3½ million a year?

Mr. MASON. Nearly 3 million last year, that is right.

Mr. ANDRESEN. How long will it take to solve this dairy problem through the population factor?

Mr. MASON. Well, if everything else would remain the same, which it never does, the 3 million people would use about 2 billion additional pounds of milk annually, and if we are out of balance, say, by 6 billion pounds or 5 billion pounds, you can see it is a matter of 2½ to 3 years.

Mr. ANDRESEN. Then our problem should be solved with considerable hedging inside of 2½ to 3 years unless you have a tremendous increase in the number of dairy cows and additional increase in the production of milk?

Mr. MASON. That is right, and if we hold our per capita consumption.

Mr. JOHNSON. I think you would want to put another condition in there, would you not, provided the people have money to buy the milk?

Mr. MASON. I said if we maintain our per capita consumption.

Mr. ABERNETHY. With all of these ifs before us, may I ask a question?

Mr. MASON. Yes, sir.

Mr. ABERNETHY. Did I understand you to say a moment ago that the lower price has tended to beget greater production?

Mr. MASON. With the lower price we have greater production in this case, yes.

Mr. ABERNETHY. In this case?

Mr. MASON. Yes.

Mr. ABERNETHY. Do you belong to the Farm Bureau?

Mr. MASON. Yes, sir.

Mr. ABERNETHY. The bureau's position is different from that, is it not?

Mr. MASON. Yes.

Mr. ABERNETHY. Do you disagree with them?

Mr. MASON. No, not over the long run, but in the short run, we do.

Mr. ABERNETHY. When you say a long run, how long?

Mr. MASON. Five, ten years.

Mr. ABERNETHY. Five or ten years?

Mr. MASON. Yes.

Mr. ABERNETHY. Then the program that has been advanced in the last couple of years by the Department and the bureau in 5 or 10 years will solve the problem. In other words, it will take 5 or 10 years to solve the problem with that program?

Mr. MASON. It very well may.

Mr. ABERNETHY. Presuming that everything remains the same as you say. You may proceed.

Mr. ANDRESEN. Does the chairman mean there that it will solve all of our agricultural problems?

Mr. ABERNETHY. I do not know.

Mr. ANDRESEN. I did not know whether you were generalizing on the problem.

Mr. MASON. There is no end to the problem. We never get to an end and we never can say what the end will be.

Mr. ANDRESEN. You take in the case of wheat, we consumed in this country approximately as much wheat 50 years ago as we do today and still our population has doubled. So you would not say the problem would be solved with wheat inside of 10 or 12 years.

Mr. MASON. No, I did not say that. I did not mean to imply that at all.

Mr. ANDRESEN. So far as cotton is concerned, why I imagine that you would have about the same complication.

Mr. MASON. I was talking about milk problems. I would like to say this, though, the federation has to and does stand for flexible prices and flexible price supports, but we believe that they should be geared to gradual change and that they should be geared to fit the situation.

Mr. ANDRESEN. We have always had flexible supports for dairy products ever since they were put on back in 1949.

Mr. MASON. That is right.

Mr. ANDRESEN. And I think at least, and other members of the committee have taken the attitude that any change if it was to take place, it should have been a gradual change, rather than a precipitous one.

Mr. MASON. That is the position we take.

Mr. ANDRESEN. Again I am glad you concur in my views.

Mr. MASON. Thank you.

Going back to chart 1 for the record, it merely shows the milk production on United States farms and the average price per hundredweight received by farmers for milk sold wholesale for the period 1934 through 1954.

Prices received by farmers for milk have dropped appreciably since 1952. While prices have been declining, the cost of producing milk has not dropped in proportion.

Consideration of the dairy problem also is significant—both as it concerns farmers supplying manufactured milk outlets and fluid milk markets—in view of the increasing portion of the total supply being used for fluid milk purposes as shown in chart II.

Chart II follows the first chart. It is entitled "Per Capita Consumption of Fluid Milk and Cream, Other Dairy Products, and Total 1925 to 1954, in Terms of Milk Equivalent."

(Chart II appears on p. 249.)

Mr. MASON. Changes in consumer habits, the growth and movement of population, improved quality, and the progress in packaging and distribution all play a part. The pricing of milk has become increasingly complicated as a result of these changes taking place within the industry.

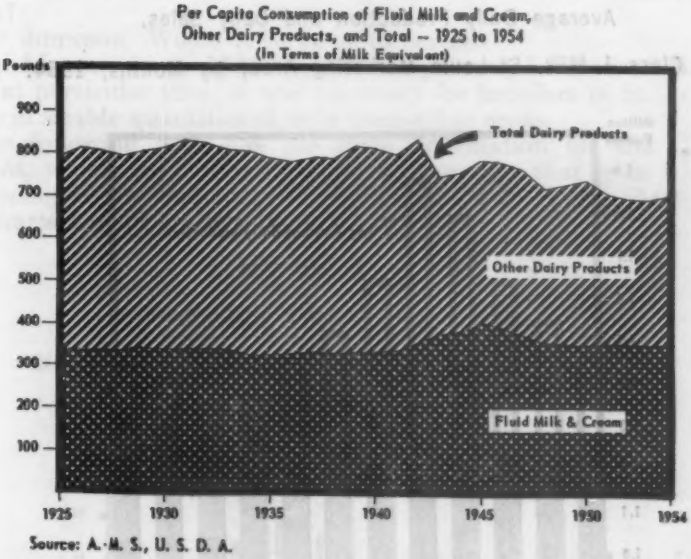
The complications, however, do not alter the fundamental considerations necessary for price determination.

Since the price of milk is a matter of concern to producers and consumers alike, it seems desirable to review the basic problems of establishing prices to producers for fluid milk.

The establishment of a price for fluid milk involves many necessary considerations. The least understood is that identical milk, as received from the farm, has more than one value dependent upon the use made of it by the purchasing handler.

Milk used for fluid purposes commands a higher price than the same quality milk used in the production of manufactured dairy products for two reasons:

CHART II



First, quality requirements for bottled milk are more exacting than for milk used to produce manufactured dairy products, and

Secondly, consumers require a year around supply of fresh bottled milk while manufactured dairy products may be stored from season to season.

Although all of the milk which each farm produces for a fluid milk market must meet the quality standards for bottled milk, it cannot all be used for that purpose for three primary reasons:

1. Milk production varies from season to season while consumer requirements do not. To illustrate this variance between milk production and fluid milk sales we have inserted chart III which shows the 1954 experience for the St. Louis market.

If you will turn to chart III, which is entitled "Average Daily Production and Daily Sales, Class I Milk, St. Louis Marketing Area, by Months 1954."

(Chart III appears on p. 250.)

Mr. ANDRESEN. Why did you select the St. Louis market?

Mr. MASON. I selected the St. Louis market in this particular case for two reasons: (1) It is a relatively short market, as compared to the Chicago market which I have also used on the next page; and (2) because I am intimately familiar with that market. You will find that figures for a market, unless you know the market, are subject to misinterpretation and to different meanings.

Mr. ABERNETHY. What is the source of the information in this chart?

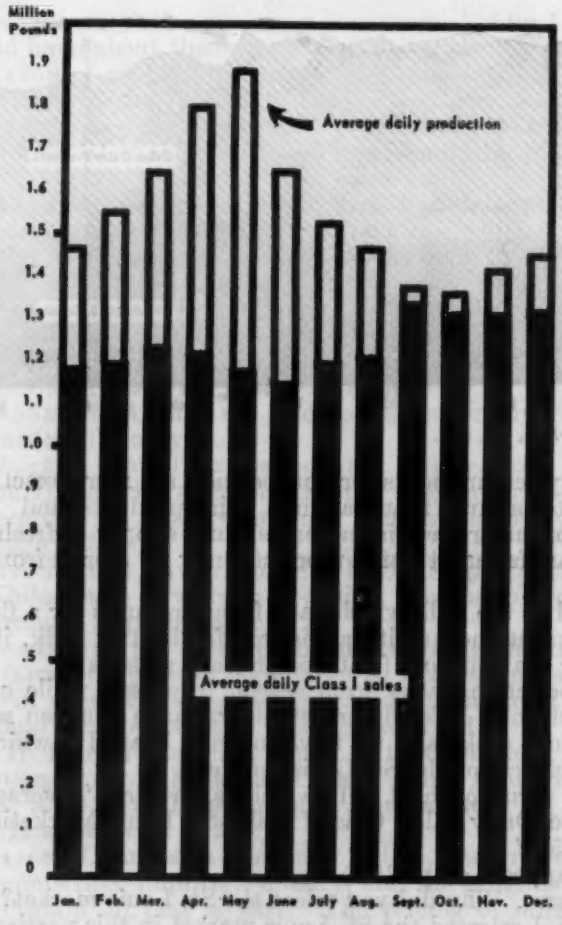
Mr. MASON. This is taken from the records of the Market Administrator, of the Federal order.

Mr. ABERNETHY. All right.

CHART III

Average Daily Production and Daily Sales,

Class 1 Milk, St. Louis Marketing Area, by Months, 1954.



Mr. MASON. You will notice that the production of milk varies widely from month to month, with a high point being in May, and the low point in September. On the other hand, sales do not vary to the same degree nor at the same time. In fact, the high consumer requirement in this particular case is September which happens to be also the month of low production.

Now that again will vary from market to market.

Mr. JOHNSON. What was that surplus for that particular month of September?

Mr. MASON. I do not have the figures here. But it would be very slight?

Mr. JOHNSON. Would it be 10 or 15 percent?

Mr. MASON. It would be less than 10 percent, I am sure. Because at that particular time, it was necessary for handlers in St. Louis to bring in sizable quantities of milk from other areas.

The following page has the same information for the Chicago market, which, as I stated before, is a market that is in a higher producing region compared to the requirements. That is chart No. 4.

(Charts 4 to 12 are as follows:)

CHART IV

Average Daily Production and Daily Sales,

Class 1 Milk, Chicago Marketing Area, by Months, 1954.

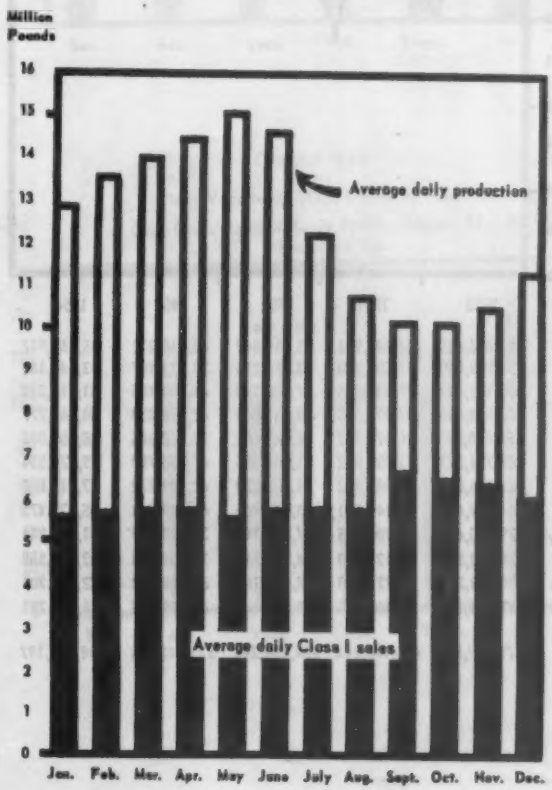
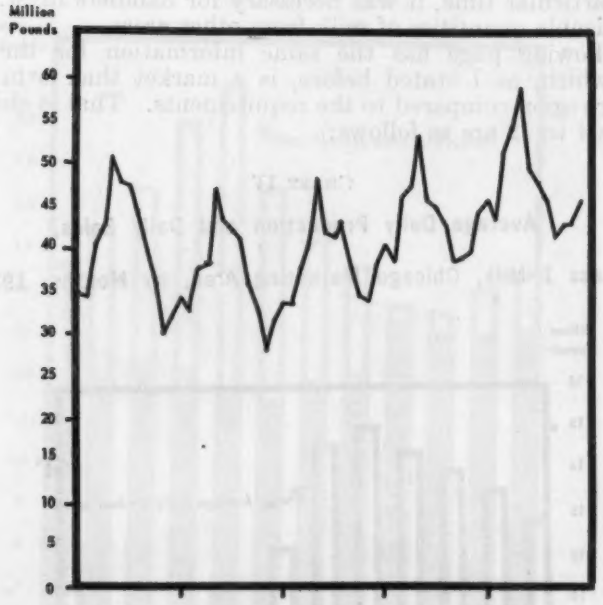


CHART V

Total Amount of Milk Delivered by Producers, St. Louis, Missouri, Marketing Area, January 1950 - December 1954

CHA



	1950	1951	1952	1953	1954
	Pounds				
January	34,646,615	34,045,993	33,539,849	40,246,211	45,567,937
February	34,308,960	32,501,500	33,456,210	38,921,107	43,641,165
March	40,385,492	37,524,542	37,795,110	46,004,105	51,116,279
April	42,584,528	37,993,595	40,213,055	47,370,839	54,167,777
May	50,668,225	46,676,199	48,046,006	53,162,365	58,656,087
June	47,764,247	43,285,092	41,882,396	46,136,789	49,779,554
July	47,366,026	42,003,228	41,502,529	44,999,872	47,717,800
August	44,399,697	41,148,521	43,061,966	42,967,343	45,877,475
September	39,875,417	35,700,765	37,838,349	38,598,679	41,591,241
October	36,022,943	32,624,150	34,536,941	38,906,645	42,595,388
November	30,083,269	28,221,000	34,105,188	39,738,632	42,815,201
December	31,704,118	31,461,678	38,176,643	44,090,988	45,459,293
Total	479,809,537	443,186,263	464,154,242	521,143,575	568,985,197

CHART VI

Daily Variation in Milk Deliveries to Representative Dairy Operating in St. Louis Market, February 13 – 19, 1955

Thursday = 100

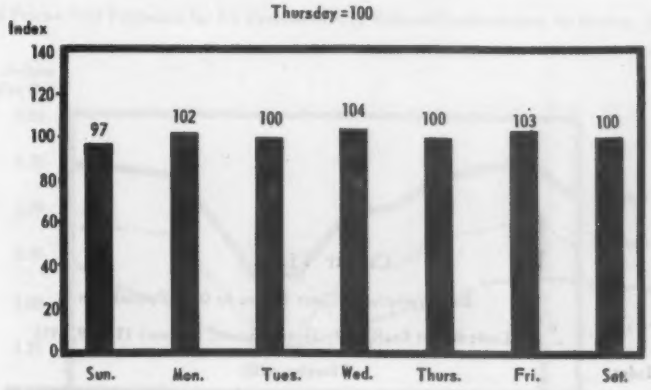


CHART VII

Daily Variation in Class 1 Sales by Representative Dairy Operating in St. Louis Market, February 13 – 19, 1955

Thursday = 100

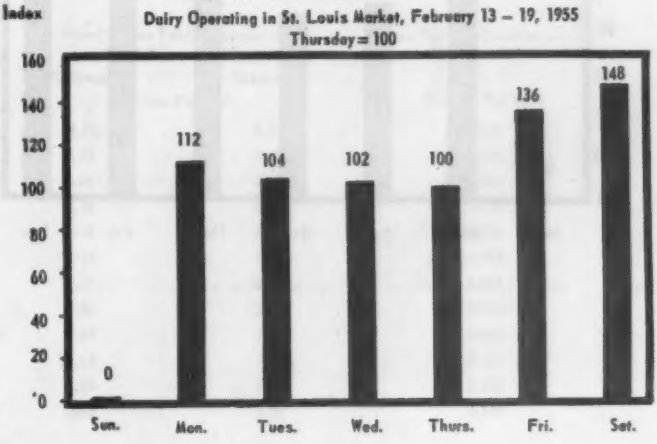


CHART VIII

Daily Variation in Class 1 Sales by Dairy Operating in St. Louis Market Exclusively Through Stores, February 13 – 19, 1955

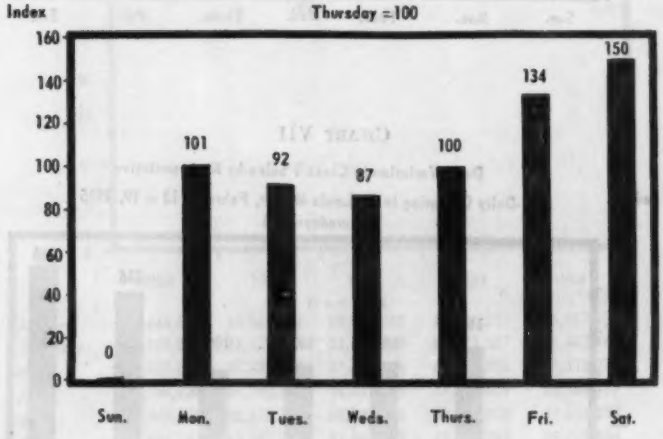
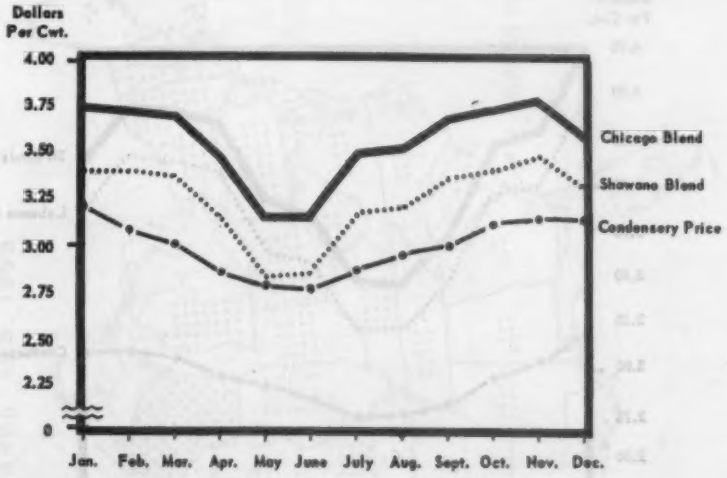


CHART IX

Blend Prices Paid Producers for Grade A 3.5 Percent Milk at Chicago, Illinois[1] and Shawano, Wisconsin[2] as announced by Market Administrator for Federal Order No. 41 and Prices Paid Producers for 3.5 Percent Milk by Midwest Condenseries, by Months, 1954

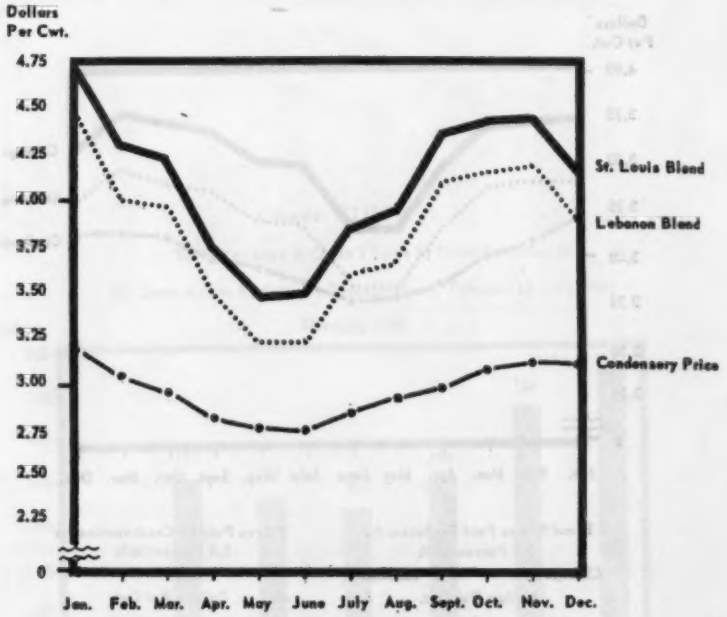


	Blend Prices Paid Producers for 3.5 Percent Milk		Prices Paid by Condenseries for 3.5 Percent Milk
	Chicago	Shawano	
	Dollars Per Cwt.		Dollars Per Cwt.
January	3.73	3.41	3.215
February	3.72	3.40	3.073
March	3.69	3.37	3.022
April	3.48	3.16	2.865
May	3.15	2.83	2.790
June	3.16	2.84	2.773
July	3.49	3.17	2.868
August	3.53	3.21	2.948
September	3.69	3.37	3.005
October	3.74	3.42	3.107
November	3.80	3.48	3.154
December	3.64	3.32	3.140

[1] Zone 1 [2] Zone 12

CHART X

Blend Prices Paid Producers for Grade A 3.5 Percent Milk at St. Louis, Missouri, and Lebanon, Missouri, as announced by Market Administrator for Federal Order No. 3 and Prices Paid Producers for 3.5 Percent Milk by Selected Midwest Condenseries, by Months, 1954



	Blend Prices Paid Producers for 3.5 Percent Milk		Prices Paid by Selected Midwest Condenseries for 3.5 Percent Milk
	St. Louis	Lebanon	
	Dollars Per Cwt.		Dollars Per Cwt.
January	4.72	4.45	3.19
February	4.28	4.01	3.05
March	4.24	3.97	2.97
April	3.77	3.50	2.82
May	3.50	3.23	2.77
June	3.51	3.24	2.76
July	3.86	3.59	2.85
August	3.94	3.67	2.92
September	4.36	4.09	2.98
October	4.43	4.16	3.07
November	4.45	4.18	3.11
December	4.15	3.88	3.11

CHART XI

MILK PRODUCTION ON FARMS U. S. 1953

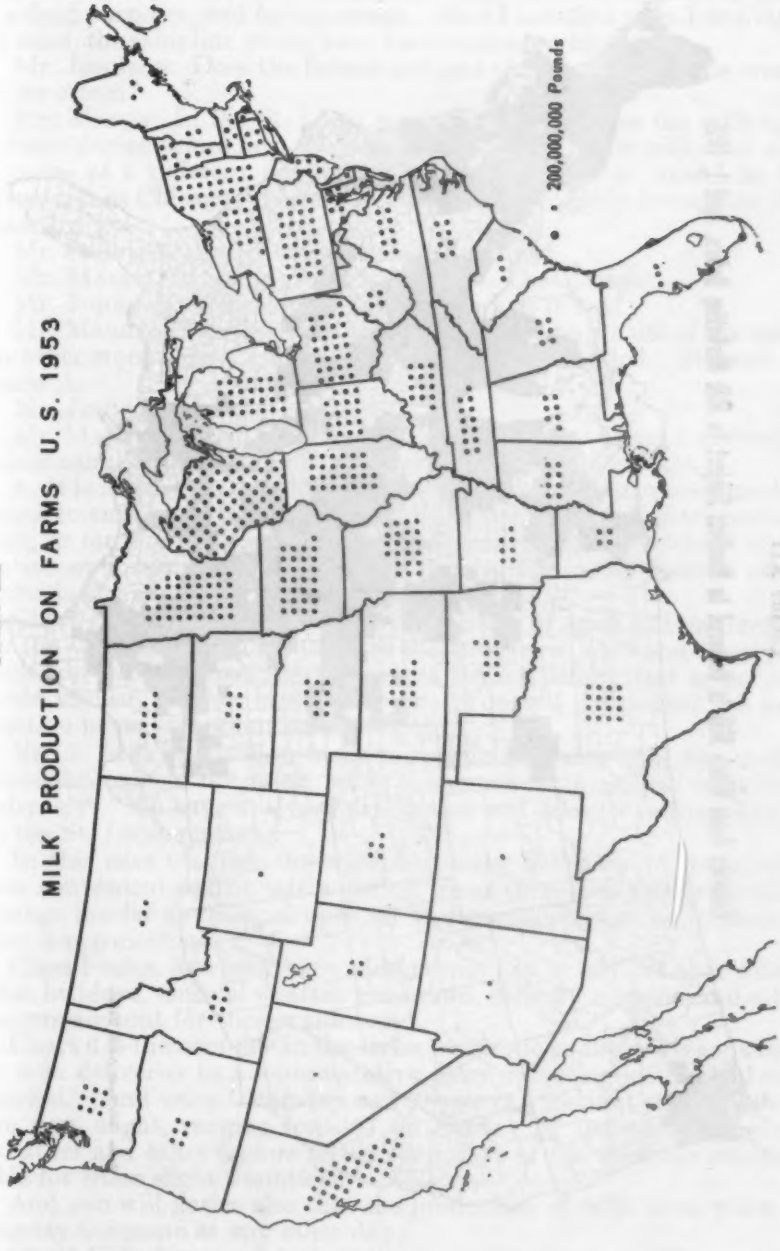
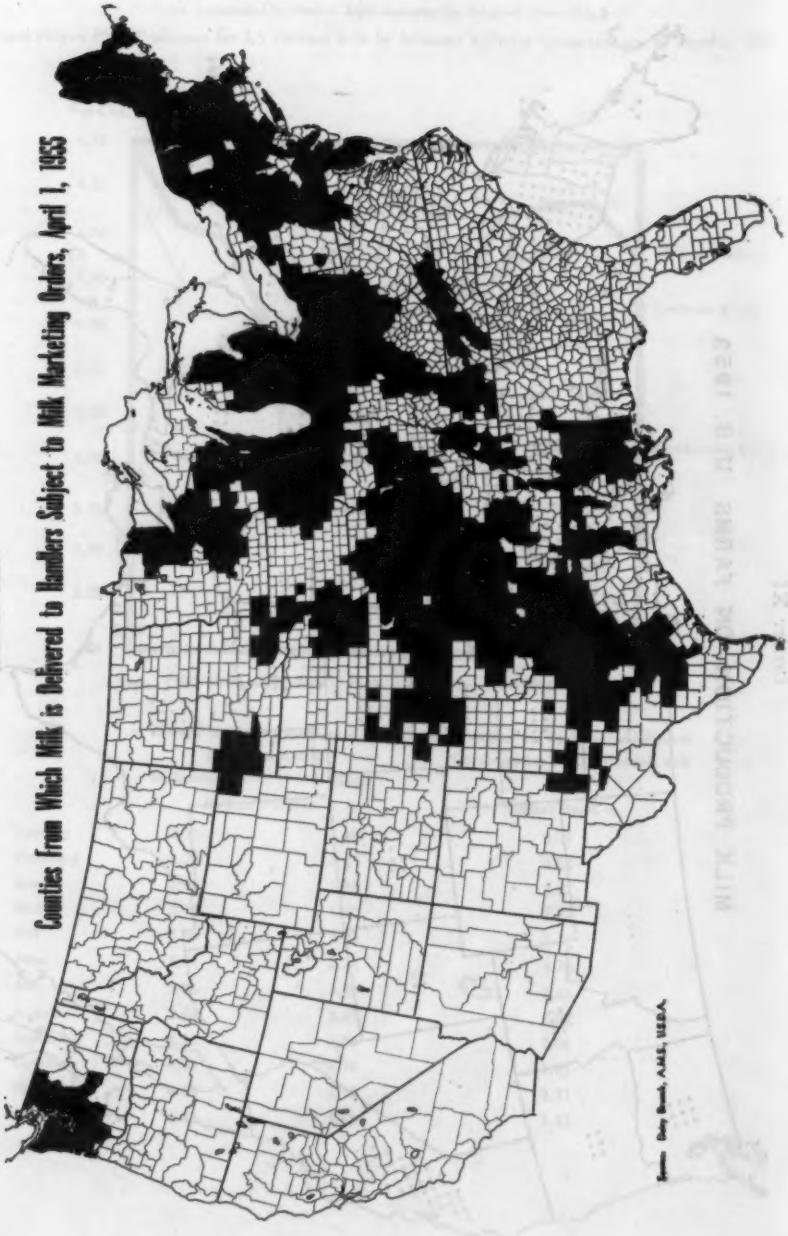


CHART XII

Counties From Which Milk is Delivered to Handlers Subject to Milk Marketing Orders, April 1, 1935



Mr. MASON. I might explain in the case of Chicago, I have used only the class I sales, which are the bottled milk sales. In addition the Chicago market requires the cream to be made from grade A milk for fluid purposes, and for ice cream. Had I included class I and class II sales, the sales line would have been somewhat higher.

Mr. JOHNSON. Does the farmer get paid class I prices for the cream in ice cream?

Mr. MASON. In the St. Louis market, yes. Because the milk to a greater degree comes into the city in the form of whole milk, and also because of a different accounting system. Cream is class I in St. Louis but in Chicago it is class II and is priced slightly lower than the class I price.

Mr. JOHNSON. But it must be class I quality?

Mr. MASON. Must be grade A quality. That is right.

Mr. JOHNSON. Which is similar to class I, is it not?

Mr. MASON. No, class I is a term that relates to the use of the milk. In other words, class I milk is the milk that is bottled. It must be grade A.

Mr. JOHNSON. I see.

Mr. MASON. But all grade A milk is not class I. Chart 4 shows the relationship of production and sales for the Chicago market.

2. It is impossible to produce an exact supply of milk to meet market requirements for bottling purposes during the months of short production, or for any other given period. Weather, crop conditions, alternative opportunities available to farmers, and other factors cause shifts in the supply of milk from year to year.

Chart No. 5, which follows the description of sales and production on the Chicago market, illustrates the changes in the total supply of milk for the St. Louis market over a 5-year period, and again you could use any market in the country. You will notice that the production never comes out exactly right.

No. 3: Milk production tends to remain the same on a day-to-day basis throughout the week, while consumer requirements vary considerably. We have analyzed production and sales for a typical week in the St. Louis market.

In this case we took the week beginning February 13, because it was convenient and it was a period when there was relatively little change insofar as seasonal upswing or seasonal downswing in production was concerned.

Class I sales, however, vary widely from day to day. Labor schedules, holidays, unusual weather conditions, delivery systems, and other factors account for these variations.

Chart 6 is the next one in the series which shows the daily variations in milk deliveries to a representative dairy operating in the St. Louis market. And using Thursday as 100 you can see that the variations are very slight, ranging from 97 on Sunday to 104 on Wednesday. Weather and other factors rather than days of the week are accountable for those slight variations.

And you will notice also that the production of milk takes place on Sunday the same as any other day.

Chart VII, if you will look at it, shows the experience of one of the larger dairies whose business consists of both home delivery and sales through stores.

Chart VIII shows the sales experience of a second dairy, engaged exclusively in the distribution of milk through stores. In both cases there are no Sunday sales, and there are wide variations in daily requirements for the balance of the week. A growing percentage of milk is being distributed through stores and a lower percentage on home delivery routes. One result of this trend has been to widen the daily variations in milk requirements throughout the week. Similarly the introduction of every-other-day and, particularly, 3-times-a-week home delivery in place of the historical 7-day-a-week pattern, has had its effect.

If you will look at the two charts, 7 and 8, you will notice that in both cases there were no sales on Sunday. In the case of the one dairy, Monday sales were 112 percent of Thursday. Tuesday, 104 percent, Wednesday, 102 percent, Friday, 136 percent, and Saturday, 148 percent.

In the case of the dairy that sold milk exclusively through stores, and using Thursday as a base again, it had zero sales on Sunday, 101 percent of Thursday on Monday; 92 on Tuesday, 87 on Wednesday, 130 on Friday, and 150 on Saturday.

Mr. ABERNETHY. I am going to be the first to violate my own suggestion. Noticing the average daily delivery sales, those charts indicate to me that if there was a delivery of milk on Sunday, there would be more consumption. The average—is that true or not?

Mr. MASON. Not necessarily.

Mr. ABERNETHY. Go to chart 9, we had your lowest, 87.

Mr. MASON. Yes.

Mr. ABERNETHY. Your highest is Saturday, which is 150.

Mr. MASON. Yes.

Mr. ABERNETHY. That Saturday delivery is for Saturday and Sunday, right?

Mr. MASON. And maybe Monday.

Mr. ABERNETHY. Generally speaking, there would be a lap over probably from each day to the next but strictly speaking that is for Saturday and Sunday?

Mr. MASON. Yes, these are sales through grocery stores in chart 8 most of which are not open on Sunday.

Mr. ABERNETHY. In any event, the sales on Saturday, what does that 87 mean, 87 what; is that 87 percent?

Mr. MASON. 87 percent of Thursday.

Mr. ABERNETHY. The sales on Wednesday are 87 percent. That is your low day?

Mr. MASON. Yes.

Mr. ABERNETHY. The sales on Saturday are 150 percent?

Mr. MASON. Yes.

Mr. ABERNETHY. That two days is actually 24 percent less than your highest day of Wednesday?

Mr. MASON. Yes.

Mr. ABERNETHY. You do not think if there was a 7-day delivery it would increase consumption?

Mr. MASON. Now chart 8, as I stated before, is the experience of the dairy that sells exclusively through grocery stores, and the chart merely indicates the shopping pattern for milk of people who buy through grocery stores.

The purpose of putting this chart in——

Mr. ABERNETHY. Sunday night is generally when we run out; is it not?

Mr. MASON. Not at our house.

Mr. ABERNETHY. Unfortunately we do at ours. If we run out, it is on a Sunday night because my boy plays ball all day Saturday. He wrecks the refrigerator on Saturday night.

Mr. MASON. Of course that comes back to many other considerations such as the availability of milk through vending machines, which are coming in, where you can pick up that extra quart of milk, and there are delicatessens that handle milk on Sunday. But for the most part, the home-delivered milk is scheduled such that you should not run out on Sunday. Maybe we do, but whether we do or not, these are the experiences of the two dairies in St. Louis.

Mr. ABERNETHY. All right. You may proceed.

Mr. MASON. The primary purpose of showing these figures was to show how hard it is to gage requirements of milk and production of milk throughout the week. It is not quite as simple as saying you have 100 pounds of milk and 100 pounds of sales that is all there is to it.

It is enough to say that with yearly variations in production and sales, seasonal variation in production, and daily variation in sales, supplies of milk for a market cannot be geared precisely to its requirements. Furthermore, there must also be enough additional milk on every route and in every store to supply the housewife that extra quart, whenever she wants it.

If consumers are to have a dependable supply of milk on a year-round basis, and of the quality necessary to meet local requirements and conditions, it follows that the fluid-milk market must offer producers a higher price for their milk than that offered by the manufactured milk market.

These prices of necessity must also reflect the added cost of transporting milk from the farm to the city market. These costs are normally higher than for delivering milk from the farm to manufacturing plants because of location. The larger the city, or the milk supply area, the more consideration must be given to transportation costs in arriving at proper prices for fluid milk.

Mr. ANDRESEN. What makes up the transportation costs that have increased this price?

You have mentioned the distance.

Mr. MASON. Distance.

Mr. ANDRESEN. Is that the only element that makes up transportation costs?

Mr. MASON. No, but that is the primary difference between milk transported to a manufacturing plant and milk transported to a fluid milk market. Otherwise, the other factors are about the same.

Mr. ANDRESEN. What is the main element in transportation costs, the main factor?

Mr. MASON. Labor.

Mr. ANDRESEN. Very well. And have labor costs gone up in transporting milk during the past 3 and 4 years?

Mr. MASON. Yes, I think the general trend in labor costs all down the line have been higher.

Mr. ANDRESEN. And they are still going up?

Mr. MASON. That is right.

Mr. ANDRESEN. In spite of the fact that producers are getting less for their milk?

Mr. MASON. That is right. In that same regard milk haulers cannot get by for less money because the price of milk has gone down—they cannot buy tires or trucks or gasoline for less money. It is another case where farmers are faced with rigid costs of things that they have to buy and lower returns for the things they have to sell.

It is a very difficult problem.

Mr. ANDRESEN. Thank you.

Mr. MASON. When farm-to-market transportation costs are deducted from prices received by farmers supplying fluid milk markets, and, similarly, when they are deducted from prices received by farmers supplying manufactured milk plants, it is evident that the difference in prices as between fluid milk markets and manufacturing milk markets are less than they are generally presumed to be.

Charts IX and X show how prices received by farmers at fluid milk markets are affected by transportation from country receiving stations to city markets. In chart IX it becomes evident that Chicago producers delivering grade A milk to plants in the 220–235 milk zone lose a large share of the higher Chicago price through transportation charges.

That is the zone where Shawano, Wis. is located.

Similarly the higher prices quoted for St. Louis milk are lost to producers supplying country plants. Chart X shows a comparison of milk prices f. o. b. St. Louis and Lebanon, Mo., 150 miles southwest.

Even though the St. Louis price at Lebanon is still somewhat higher than the condensery price, it is clear that producers are not receiving the quoted price for the St. Louis market.

In comparing prices received by producers for milk, the cost of transportation should be kept firmly in mind. Transportation costs for milk are high in relation to value because of the bulkiness of the product. For this reason, also, producer prices vary widely from market to market, depending upon the relationship between the amount of milk available within trucking distance and the number of consumers being supplied.

Chart XI shows the density of milk production among the several States.

If you will turn to it for just a moment, it clearly shows where the heavy milk producing region of the United States is located and it also shows that milk production is scattered widely throughout the whole of the United States.

Table No. 1 shows the percent of total milk production contributed by each of the several States and the percent of total population residing in each of the several States and the District of Columbia.

(Table 1 follows:)

TABLE I.—*Percentage of total United States milk production in each State in 1954 and to civilian population as of July 1, 1954*

	Percentage of total milk production	Percentage of total civilian population		Percentage of total milk production	Percentage of total civilian population
Maine	0.6	0.6	West Virginia	0.6	1.2
New Hampshire	.3	.3	North Carolina	1.4	2.6
Vermont	1.4	.2	South Carolina	.5	1.4
Massachusetts	.7	3.1	Georgia	1.0	2.2
Rhode Island	.1	.5	Florida	.5	2.2
Connecticut	.6	1.4	Kentucky	2.0	1.8
New York	7.6	9.7	Tennessee	2.0	2.1
New Jersey	1.0	3.3	Alabama	1.1	1.9
Pennsylvania	5.0	6.8	Mississippi	1.3	1.4
Ohio	4.7	5.4	Arkansas	1.1	1.2
Indiana	3.1	2.6	Louisiana	.7	1.8
Illinois	4.2	5.7	Oklahoma	1.5	1.4
Michigan	4.6	4.4	Texas	2.6	5.2
Wisconsin	13.4	2.2	Montana	.4	.4
Minnesota	7.0	1.9	Idaho	1.2	.4
Iowa	4.8	1.7	Wyoming	.2	.2
Missouri	3.6	2.6	Colorado	.7	.9
North Dakota	1.4	.4	New Mexico	.2	.5
South Dakota	1.1	.4	Arizona	.2	.6
Nebraska	1.8	.9	Utah	.6	.5
Kansas	2.0	1.2	Nevada	.1	.1
Delaware	.2	.2	Washington	1.5	1.5
Maryland	1.2	1.6	Oregon	1.0	1.0
District of Columbia		.5	California	5.7	7.7
Virginia	1.6	2.1			

Source: Calculated from: Farm Production, Disposition and Income from Milk, 1953–54; and Population Estimates, Bureau of the Census, U. S. Department of Commerce, January 3, 1955.

Mr. MASON. In this regard, in table 1, remembering the importance of transportation in moving milk, it becomes evident that those States that produce a lot of milk in relation to the population tend to have low milk prices, and the States that produce a low percent of the milk in relation to population tend to have higher prices.

Even though milk produced for a fluid-milk market is priced at a higher level than the manufactured milk price, that portion of milk that is not used for bottling purposes is worth no more money than milk produced specifically for the manufactured-milk market. This milk meets the quality standards for the fluid-milk market and bears higher transportation costs at least in many cases.

But it cannot be priced above the manufactured-milk price level because it must be processed into dairy products and sold competitively with other products made from manufactured grade milk.

The higher prices that are necessary to assure a fluid-milk market with an adequate and dependable supply, therefore, must be borne by that portion of the milk actually bottled.

Furthermore, since milk produced for a fluid-milk market has more than one value, depending upon its use, it is logical that it should be priced to producers on the basis of its utilization.

The necessity of pricing milk on a classified basis was not generally understood by farmers when they first interested themselves as groups in the milk price problem. Attempts to sell milk to handlers by bargaining for a flat price contributed to unstable market conditions because it resulted in unequal costs to handlers for milk used for bottling purposes.

This was true because of variations among handlers in the percentage of milk used by each for bottling purposes and for manufactured dairy products. The instability caused by lack of uniformity of cost to

handlers for milk used for bottling purposes inevitably broke down the pricing system and led to low producer prices, low quality milk, and low milk consumption.

Mr. ANDRESEN. You speak of low consumption, for the reasons you have indicated. Don't we have about the lowest consumption of milk now that we have had per capita at any time in recent history, even before the milk marketing orders went into operation?

Mr. MASON. No, not of fluid milk, no.

Mr. ANDRESEN. On a per capita basis?

Mr. MASON. On a per capita basis we have had a gradual increase. There has been some fallback since the war when milk consumption per capita reached its highest point which was at that time.

Mr. ANDRESEN. And when——

Mr. MASON. When most other goods or foods were in short supply, and when milk prices were low and were subsidized by the Government. And if you go back to chart No. 2, you can see that there has been a long, steady, gradual improvement in the per capita consumption of fluid milk including cream, and we know also that the per capita consumption of cream has fallen off.

Mr. ANDRESEN. Well, I had understood from some of the statements that I read from the Department they would indicate that our par capita consumption of milk over a period of years has decreased?

Mr. MASON. For all uses.

Mr. ANDRESEN. That probably is true, but on fluid milk I know it has increased.

Mr. MASON. Yes, and look on chart 2 again you can see that the per capita use for all uses has tended to be downward. The per capita use of fluid milk has tended to be upward.

Mr. ANDRESEN. How do you account for that overall decrease in consumption of milk for all uses?

Mr. MASON. Most of it was the unfortunate loss of our butter market.

Mr. ANDRESEN. How was that lost?

Mr. MASON. We know that per capita consumption of butter dropped from 17.5 nearly 18 pounds, down to about 9 pounds.

Mr. ANDRESEN. Who got the market?

Mr. MASON. About half of the market went to increased consumption of oleomargarine and about half of it to a total lower fat intake in the form of spread.

Mrs. KNUTSON. May I ask a question? Does that mean that the low price of fats and oils is replacing our butter so that we would rather take that than have the butter? We have a lot more of the fats and oils possibly than even butter on hand.

Mr. MASON. Well, yes.

Mrs. KNUTSON. That is what is moving butter off the market, the low-priced fats and oils?

Mr. MASON. That has been responsible for about half of the decline. The other half has been a general tendency for consumers to use less butter or oleo.

Mrs. KNUTSON. How do these compare in food value; butter with fats and oils?

Mr. MASON. I am not a nutritionist and I could only repeat what I have been told. I do not think that would be worth very much.

Mrs. KNUTSON. It seems to me that the production of milk and cream, going through such a machine as the cow—the fact that she eats green grass and produces all of the food value that you can find in grass, makes the cow our most valuable and original food manufacturer. I think that we are shortchanging our people if we do not tell them and let them know it through publicity, advertising, and through an educational program. There is no substitute for the original butter and cream.

Mr. MASON. I agree with that but, as I say, I am not an expert in nutrition, and my word would not be worth anything.

Mrs. KNUTSON. The fact that we are substituting calories of sugar and mere flavor for food-giving vitamins and minerals like the good food value of cream and butter, I think that we are making a mistake. I wish we could do something about that. Is it advertising that will help us?

Mr. MASON. We are, as farmers, spending more and more money for advertising promotion and research. How much good that has done or how much good that it will do I guess time only will tell. but it is not a field that is being neglected.

Mrs. KNUTSON. I would like to mention here that during the First World War, Denmark made a terrible mistake by selling their good butter to other countries abroad, and they used a substitute of whatever they had for fats and oils in their country. It was not butter. They did not use that themselves. They shipped butter and cheese to all parts of the world, and using the substitute themselves, they began to notice that their children's eyesight was very poor. They had been shortchanging their children on food value. If that is the case, we are going to find ourselves in the same predicament, I think that we should take a lesson from it and stop some of the adverse publicity so far as our butter and cream are concerned.

Mr. MASON. We certainly would not quarrel with that thought at all, either as it relates to advertising and identification or anything else.

We have been working earnestly trying to do just exactly as you say.

Mr. ANDRESEN. Don't take this all on your shoulders, and blame us for it, when you say "we" because when most of the members of this committee, I know before they came to Congress and those that had already come to Congress, tried to stop this change in the diet of the American people so far as butter is concerned—our chairman will tell you that is true. We had a fight here for 25 years over that thing before and we finally got licked.

Mrs. KNUTSON. I would like to make it clear that we are going to be the losers in the end.

Mr. ANDRESEN. Well, over in Denmark that you have referred to, they started to drink orange juice over there afterward, that was shipped in here under the Marshall plan in order to restore their eyesight.

Mr. MASON. If a classified system of pricing milk to handlers is employed in a fluid-milk market it follows that there must be market-wide participation to avoid penalizing the handlers who pay the full class I price for milk used for bottling purposes.

Milk marketing associations experienced their greatest operating difficulties in their attempts to price milk to handlers on a classified

basis under voluntary agreements. Without public regulation, there is a temptation for certain handlers to underreport their bottled milk sales and to overreport their excess production as a means of gaining a competitive cost advantage over other handlers.

It is also tempting to some minority of handlers to refuse to participate in a classified pricing agreement in order to gain a cost advantage over those handlers who do participate. Such handlers can take advantage of a classified pricing agreement by paying more for milk than the blend price of the market but less than the price established for class I milk. Supplies of milk which are surplus to adjacent or distant markets can disrupt classified pricing arrangements in the same manner.

Mr. ABERNETHY. May we suspend just about 5 minutes.

(A brief recess was taken.)

Mr. ABERNETHY. Come to order, please.

Mr. POLK. At the top of page 7 you have outlined some of the conditions and situations which existed in past years?

Mr. MASON. Yes, sir.

Mr. POLK. I am wondering if you would care to comment as to whether or not these conditions and situations are a reason for our enactment of the Milk Marketing Agreement Act of 1937 under which the milk marketing orders and the milk marketing program were established?

Mr. MASON. Yes. I think they were precisely the reasons. I might add, too, that I think that the reason we are getting the increased interest in the Federal order program from new markets is the fact that under present surplus conditions, many markets that do not have the advantages of orders are seeking them because their own marketing arrangements are breaking down.

Mr. POLK. Would you care to comment further on the charge that has been made from certain sources that milk marketing orders and agreements are barriers to the free flow of milk?

Mr. MASON. We do not think they are. We have, of course, members that use orders, members that do not use orders, and we are interested in all of them. We are interested in manufacturing producers. We are interested in fluid-milk producers. We are interested in order and nonorder markets. As an organization, we do not think that there is any basis for the claim that the orders obstruct milk. In fact, we think quite the contrary. And we will get down to that just a little bit later in the testimony when we show the wide sources of the regular supply for the Federal order markets.

Mr. POLK. Thank you.

Mr. ANDRESEN. It is a fact, though, is it not, that a substantial number of your members are in the fluid-milk market areas?

Mr. MASON. I think they are fairly evenly distributed.

Mr. ANDRESEN. Do you have some way of breaking that down to show us?

Mr. MASON. Well, just as an example, we have 105 different member organizations and about four or five hundred submembers.

Mr. JOHNSON. What do you mean by "sub" member?

Mr. MASON. For instance, Land O' Lakes Creameries is a member of the federation. The members of Land O' Lakes are submembers of the federation.

Mr. HEALY. Member cooperatives.

Mr. ANDRESEN. If you could give us that not only by organizations, but in numerical number of producers in each area, we would like that.

Mr. MASON. We can supply that. We will be glad to.

(The data requested is as follows:)

The total number of producers supplying Federal order markets is 186,000. These are not all represented by the federation. Of the 500,000 producers represented by the federation, about one-third supply Federal order markets. Many member cooperatives market manufactured dairy products produced from manufactured grade milk as well as from excess grade A milk production.

Mr. MASON. When the dairy industry is faced with surplus conditions the classified pricing arrangements become more difficult to maintain, but it is under surplus conditions that the classified pricing system is vital to the interest of farmers.

The demoralized condition of fluid-milk markets which followed the economic collapse in 1929 led to the enactment of Federal legislation to regulate producer prices.

If it is necessary to regulate the farm price of milk produced for the bottle-milk trade, the next question is, How should it be done? In the light of certain criticisms presently being aimed at the Federal order program a single milk-marketing order for the United States might be advanced as a possible solution. Producers have never favored this approach and a nationwide order has not been used or seriously considered for fluid milk. There are many peculiar problems in the fluid-milk industry primarily of a local nature. For example, a single price for class I milk which would be too high in areas of heavy production and low consumer population, would be too low in areas where milk production is less favorable and where the urban population is greater. Adjustments to reconcile transportation costs and the supervision and maintenance of quality would immediately complicate such a proposition. A milk-marketing order on a nationwide basis would necessarily apply to all milk produced for the fluid-milk industry, regardless of whether all producers needed the program or wanted it. Many groups of farmers do not need regulation nor do they look upon it with favor.

Mr. ANDRESEN. You use the term "regulation" there. What do you mean by "regulation"?

Mr. MASON. What we mean is the assistance of the Government in establishing prices and pools for milk.

Mr. ANDRESEN. That is the only regulation. It does not involve control of production or anything like that?

Mr. MASON. No. We meant with regard to this program.

Mr. ANDRESEN. In other words, the farmers who live in areas contiguous to a large consuming area, you feel that they are in need of price regulation by the Government?

Mr. MASON. Yes; in order to put some integrity in the classified pricing system.

Mr. ANDRESEN. Very well.

Mr. JOHNSON. Yet you do not think the farmers in the other areas need any help from the Government?

Mr. MASON. I did not say that. I said they have not elected to use this program. Many of them feel that they are better off not to use this program.

Mr. JOHNSON. You mentioned orders on a nationwide basis. That has been brought out in our hearings by, I believe, Mr. Zimmerman from the Grange, I do not know whether you were present, that it might be advisable to have them in areas such as regions.

Mr. ABERNETHY. That was the witness.

Mr. JOHNSON. I think Mr. Zimmerman first brought it up. I then asked Dr. Johnson about it.

Mr. MASON. I heard that testimony and I think, if you will remember the testimony of Stewart Johnson, he said in his mind maybe the New York area was already too large, because of the many complications.

We are not against orders that are bigger when the marketing areas justify expansion. And in most cases or in very many cases, the marketing areas are tending to get bigger.

But just to jam them together, we do not think would solve many problems. It is a matter of working out improvements through public hearings. Where larger areas are appropriate, producers will come to that. So we think the present program is working very, very well.

It seems sufficient to conclude that the Federal-order program must be operated on a market basis, such as at present, rather than on a national scale. Federal orders have successfully regulated milk prices and maintained orderly marketing conditions in a growing number of our large, complex, cumbersome marketing areas and in many small ones. The advantages of the Federal-order program to a large degree accrue from the fact that it can be suited to the local needs of individual marketing areas without regard to State lines. Chart XII shows the counties in the several States from which milk is supplied to the Federal-order markets.

This is a regular supply area for the markets that had Federal orders as of April 1 of this year.

Mr. LAIRD. I notice on this map in some counties I know where there are 3 or 4 suppliers, you have the whole county black.

Mr. MASON. Because there is milk from that county going into a Federal-order market. We are not saying that all of the milk does. But we are saying that farmers from that county deliver milk to an order market.

Mr. LAIRD. I know one county is black, with three producers.

Mr. MASON. That may well be but it does have three, and is available to others. It is also interesting, if you will go back and compare the chart inserted earlier which showed the density of milk production by States which was chart No. 11, to compare it to this chart. It is those same areas of heavy milk production predominantly where the fluid-milk markets use the Federal milk program.

Mr. ABERNETHY. Except for the Southwest?

Mr. MASON. That is right. There are a preponderance of orders in the Texas area and down in that particular part of the country. The notable production area that does not have Federal orders is the State of California, which has State regulations, and also most of the Southern States.

Mr. ABERNETHY. Chart 12 reflects Federal orders only.

Mr. MASON. Chart 12 reflects the counties from which producers supply Federal-order markets. That is right.

Mr. ANDRESEN. What percentage of the population, consuming population of the country is within that area?

Mr. MASON. Mr. Forest put those figures in the record. If I remember, it was something in the neighborhood of 30 percent.

Mr. ANDRESEN. I do not recollect it.

Mr. ABERNETHY. I thought it was higher than that.

Mr. GROVES. It is higher than that.

Mr. ABERNETHY. I think he said 53 percent of the urban population.

Mr. MASON. Was in the marketing areas.

Mr. ABERNETHY. It was urban population.

Mr. MASON. In addition to that, the sales from the order handlers outside of the marketing areas picked up an additional 13 percent.

Mr. ANDRESEN. This map shows counties of the States under orders; is that a fact?

Mr. JOHNSON. So far as I know, I do not know any appreciable quantity of milk that is going down to the Chicago area.

Mr. MASON. Don't misunderstand what the map portrays. The orders themselves do not in any way regulate producers. They regulate handlers that distribute milk in the defined marketing areas.

The Chicago marketing area for instance, covers for practical purposes Cook County, Ill., and part of Kane County and a few others, but the producers that supply that marketing area can live anywhere. Some of them live as far away as the Wisconsin-Minnesota line. Also from Wisconsin you have producers over a wide area that ship milk into the Milwaukee market, which is another Federal-order market.

There is milk from Wisconsin that goes into the Duluth-Superior market. I am not positive, but I think there is a slight amount that goes into the Minneapolis-St. Paul market, and there is some from Wisconsin that goes into the Dubuque market. It is a matter of where the producers live, whether they meet the health standards of one of these markets, whether they have a buyer and whether or not they choose to go that way.

Mr. JOHNSON. Could you have a handler up in that area then that would have a right to send milk down to Chicago and the order would cover him, but as to the fact of how much milk he is buying this map does not show?

Mr. MASON. No, because the orders do not in any way regulate that.

Mr. JOHNSON. If there was one producer up there in the county whose milk was going to Chicago, the county would be totally black?

Mr. MASON. Yes.

You see, if there is one producer going in, it demonstrates, first of all, that he is within, at least in his mind, the right hauling distance or he has some kind of a way to get it to market. He has a buyer. And he has decided to sell milk to that market.

Mr. ANDRESEN. While you indicated that you only regulated the handlers, you do regulate them to the extent that they are required to pay a certain price to the producer?

Mr. MASON. That is the way they are regulated, yes, sir.

Mr. ABERNETHY. Does this map demonstrate the fact that from surplus producing areas, a dairyman can market his milk in a consumer area which is in a Federal order area if he can find a handler there to do business with?

Mr. MASON. Yes, sir.

Mr. JOHNSON. Isn't it hard, though, to find a handler? I think it was during the wartime that the handlers came in. I noted it in Jackson County, my home county and I think other counties in the Ninth District and I think in Mr. Laird's district. They got large groups of farmers to prepare their dairies for grade A milk. And then after the farmer had everything, had bought all of the high-priced equipment, about a period of 3 or 4 months later the handler shut him off?

Mr. MASON. Yes, sir.

Mr. JOHNSON. That same milk that he is prepared to produce, that same dairy was equipped to produce grade A milk is now producing milk that is going into grade B class through no fault of his own?

Mr. MASON. Yes, sir.

Mr. JOHNSON. Is the reason for these dairies not buying and pricing the milk as grade A now that they cannot get enough on the Chicago market to pay for purchasing it? Why are they not going into there competing with the rest of the Chicago handlers?

Mr. MASON. I think the answer is in our chart No. 2.

Mr. JOHNSON. I might say that I happen to know some particular handlers, some producers down in Greenlake County whose milk is still going to Chicago. That is not in my district. That is in Mr. Laird's district.

Mr. LAIRD. I have a lot of it.

Mr. MASON. Again if you go back to about 1945 when we had the shortest supply nationally, handlers were reaching out and developing more grade A milk, and they may have overextended themselves, too.

And then after milk supplies came up all over, which made milk available closer to home in many cases, they pulled back. The order of course does not guarantee a market. It merely guarantees prices to producers if they have a market. It is very unfortunate that those producers did qualify for grade A and then get left high and dry without a market.

Mr. JOHNSON. The handler is still qualified to go to Chicago if he wants to, but it is not economically profitable for him to do it now. Is that the reason?

Mr. MASON. That may be, or it may be a plant in northern Wisconsin that built up a supply of grade A milk to sell to the southern markets. They may have been in the Chicago pool for the protection of the spring months.

As these southern markets, western markets, eastern markets, dried up, some of the handlers who did not have established outlets in Chicago because they disassociated themselves with the Chicago market were excluded from the pool and the producers lost the protection of the Federal order. It is a matter of supply and demand and markets.

Mr. ANDRESEN. In the answer to the question that you gave to the chairman, about shipping milk into the Chicago market, he must meet the sanitary requirements of the Chicago market. That is No. 1.

Mr. MASON. If it goes into the city of Chicago, yes, that is right.

Mr. ANDRESEN. And if he meets those sanitary requirements and finds a handler to handle his milk, then he can sell in the Chicago market?

Mr. MASON. That is right.

Mr. ANDRESEN. Do they assess any compensatory payment against the handler on that milk?

Mr. MASON. Not on that milk, no.

Mr. ANDRESEN. Well, he has to be a regular supplier to the market in order to get away from compensatory payments, does he?

Mr. MASON. Yes. I am almost positive, if my memory is correct and I think it is, that if a plant and the producers have Chicago inspection, they are considered part and parcel of the Chicago market.

Mr. ANDRESEN. How does that inspection in Chicago compare with the United States Public Health Code?

Mr. MASON. Practically identical.

Mr. ANDRESEN. Then if a farmer or producer any place meets the United States Public Health code standard, why then, he should be able to ship into any place in the United States without any penalty or compensatory payment?

Mr. MASON. Well, the city of Chicago, just as an example, said, "We will inspect our own milk."

Mr. ANDRESEN. Who do you mean by "we"?

Mr. MASON. The city of Chicago.

Mr. ANDRESEN. You said, "We." You do not mean the Department of Agriculture?

Mr. MASON. No.

Mr. ANDRESEN. Or the national milk producers?

Mr. MASON. When I say "We" in that case I mean the city of Chicago, which maintains that it is going to inspect its own milk supply, and it maintains that it will not refuse to inspect milk supplies anywhere that want to come in.

By the same token, they maintain that just because milk may meet or may be presumed to meet the United States Public Health standards does not mean that it is permitted to come to Chicago. Because, there are differences in enforcement practices and procedures among different markets that use the identical code.

Mr. JOHNSON. What are some of the regulations that are different from the National Health Code?

Mr. MASON. I really do not know but I think you would have to really search to find them. One of them may be the brucellosis requirement which is one of the most recent, which requires Bangs-free milk by July 1, 1955. That particular date is not in the code, but in the code, as I understand it, is the recommendation that cities can insert that requirement.

Mr. JOHNSON. Does the inspector have to come out from the city of Chicago to inspect this farm four or five hundred miles away?

Mr. MASON. They have their inspectors located in areas, with so many assigned to each inspector.

Mr. JOHNSON. Does the farmer pay the charge of inspection?

Mr. MASON. Not in Chicago.

Mr. JOHNSON. When it is made three or four hundred miles away from Chicago?

Mr. MASON. The city of Chicago pays the inspection charge.

Mr. ANDRESEN. Would there be any objection on the part of the federation if the Public Health Service in the State of Wisconsin, if the commissioner of agriculture, or whoever has charge of regulations, would inspect that farm and see if he met the requirements and come up to the United States Public Health standards?

Mr. MASON. We do not have a position on that. We feel that it is a problem within the province of each individual local market.

You can have the very same code and it can have quite a variation in meaning, depending upon who the enforcement agency is, and what their purposes are and many other things.

Mr. ANDRESEN. You do not have a milk marketing order in Washington?

Mr. MASON. That is right.

Mr. ANDRESEN. And still some of the suppliers of this market have not been inspected for several years?

Mr. MASON. I do not know whether that is a fact or not.

Mr. ANDRESEN. That is a fact.

Mr. MASON. It may be.

Mr. ANDRESEN. And maybe they are a little more careful about it now than they were a couple of years ago, but there was a great deal of milk that came into this market through the closed organization surrounding this area, where I learned at least from witnesses that their dairies had not been inspected for several years.

Mr. MASON. I do know this, that with the milk inspection of individual cities, and through the cooperation of the local and State health people and the United States Public Health Service, these ordinances have tended to become more uniform and arrangements to recognize each other's inspection are increasing.

For instance, in November 1952, which was just before we came into the present surplus condition, there was milk that went out of the Chicago market, Chicago inspected milk, into 22 different States, as far west as Albuquerque, N. Mex.

Mr. ANDRESEN. Because of overproduction in the area?

Mr. MASON. No.

Mr. JOHNSON. Underproduction.

Mr. ANDRESEN. Overproduction in the Chicago area?

Mr. MASON. No.

Mr. ANDRESEN. Why did they ship it out?

Mr. MASON. It was profitable to ship it out. They had the milk and the people in the southern, and some of the eastern and western markets did not have the milk, and they needed it and the health departments made reciprocal arrangements and it moved.

Mr. ANDRESEN. Do you think it is advisable to have 57 varieties of sanitary regulations on milk or any other commodity?

Mr. MASON. There are reasons for differences from community to community.

Mr. ANDRESEN. Well, I do not know any reason for that. You may know of them, but if the United States Public Health Service establishes a standard, it seems to me that when 30 States have approved it, that that should be acceptable for the entire country, without having a milk inspector in every town over 5,000 people.

Mr. POLK. Will you yield?

Isn't it true that local communities, because of their own peculiar conditions, feel that they should have certain provisions in their sanitary codes? It may have been because of some historical condition.

There may have been an epidemic of some particular disease, we will say typhoid, that was alleged to have resulted from insanitary milk. And they have, as a result of that, written into their code some provision with reference to that, or it might cover a multitude of other diseases.

Mr. MASON. There are differences for those reasons. And there are differences for climatic reasons. In some areas, for instance, you can produce a good grade A quality of milk with well water. Farther south the requirement of electrical refrigeration is almost mandatory. There are reasons for differences, from area to area.

Mr. ANDRESEN. The electrical refrigeration to which you refer has just taken place in recent years.

Mr. MASON. That is right.

Mr. ANDRESEN. And, of course, when you get back to typhoid fever, that was before my time. And I know that in my hometown they have a milk code all their own. It is a community of 10,000 people. We have a milk inspector.

Mr. POLK. You would not want to do away with that.

Mr. ANDRESEN. I am not so sure I would like to see a uniform standard throughout the country that would be a good standard, a safe standard for the consumers of the United States, and I think that the Public Health Service is in a position to furnish that kind of a standard.

Mr. POLK. Wouldn't that require, if the gentleman would yield, an army of Federal inspectors and Federal investigators? And would that not also require great additions to the Federal payroll if the Federal Government is going to enforce and inspect and check upon the health regulations of every town in the United States?

Mr. ANDRESEN. The proposal I made is for the secretary of agriculture, or commissioner of agriculture, or the regulatory body within the State, that he should do the certifying. Just the same way as the Federal Government for years has been having officers in foreign countries certify to the imports that come into the United States. I do not think much of that inspection, but I think that I could trust officials in the State of Ohio to conduct a proper investigation.

Mr. POLK. We are satisfied with the present program.

Mr. ABERNETHY. You may proceed.

Mr. ANDRESEN. When Mr. Norton comes on the stand, I do want to ask him some questions.

Mr. MASON. Since Federal orders must be applied on a marketing-area basis, it is clear that a definition of the scope of each regulation is necessary. This means that the extent of each "marketing area" must be determined and that "handlers" and "producers" be adequately defined so that the classification and pricing provisions will work to achieve market stability and an adequate supply of high quality milk.

Since the milk marketing orders do not limit the free flow of milk, displacement by lower-priced milk which is surplus to other areas could disrupt markets without such provisions as compensatory payments. Compensatory payments prohibit handlers from hammering down the class I price by picking up an occasional load of milk at the bargain counter.

The operations of Federal milk marketing orders have been satisfactory to producers supplying markets using the program, and the market stability created is in the public interest. The market statistics in themselves have been valuable for providing a basis upon which prices can be properly evaluated.

Mr. ANDRESEN. I am confused, to be honest about it, as to the reasons for this price-fixing arrangement. I can see the advantages

of it. I happened to be here when the act of 1937 was passed. I presented certain language which was adopted in the legislation. But is this authority of the Secretary of Agriculture to fix the minimum price—what is the purpose of that?

Mr. MASON. The purpose is to put some integrity in the classified pricing system. The classified pricing system is necessary in order to maintain the quality of milk at the level necessary for bottling purposes.

Without it, you have unequal cost to handlers, disruption of markets, low producer prices, low quality milk and low milk consumption.

Mr. ANDRESEN. Let me just inject this. I am glad you made that clear to me, because we have been told by men in the Department who have administered this act since 1937, that it was for the purpose of securing adequate production.

Mr. MASON. Of the quality of milk that is needed for bottling purposes.

Mr. ANDRESEN. But much of the milk in certain seasons of the year in certain milksheds as much as 80 percent is surplus milk that must be used for manufactured products.

So that your class A milk is not used for fluid milk purposes, it goes into the manufacture of butter and ice cream, cheese, and other commodities?

Mr. MASON. Yes. But if you brought all of your prices down to the level that you would get without the classified pricing system, all you would do would be to hammer prices down in the markets that do have it. You would be threatening their quality of milk, and your producers in the manufactured areas still would not have a market because every time they would come in, it would merely serve to lower the price to farmers in the market.

Mr. ANDRESEN. The way it is operating now, you are squeezing out the areas where they are producing milk for manufactured products because of the low price for manufactured milk?

Mr. MASON. I do not believe that is true. If you look at the surplus prices in the Federal order markets, you may find somewhere the price paid for surplus milk is lower than the average price paid by manufacturers for ungraded milk.

Mr. ANDRESEN. Take the Boston area—they paid their $5.64 for class I–A milk. And $5.60, I think it was, for the blended price.

Mr. JOHNSON. That is Connecticut.

Mr. ANDRESEN. Yes. Out in my section they are getting $2 or last month they got $2.90 for 3.5 milk.

Mr. MASON. Yes.

Mr. ANDRESEN. I would not say that it was all Grade A milk, but it was manufactured milk, milk going for butter and cheese, and the blended price was not greater where they used it for fluid milk or not materially greater.

Mr. MASON. Right. But if you took your Wisconsin milk or Minnesota milk at the Chicago class I price, or the Minneapolis class I price, and hauled it to Connecticut, it would cost more than $6.04 by the time it got there.

Mr. ANDRESEN. I know with 5 or 6 increases in the cost of transportation, railroad rates and increases in labor costs of transportation, I imagine there is a lot of truth to it.

Have you made a study on that proposition?

Mr. MASON. We have looked at the figures, yes.

Mr. ANDRESEN. Where are the figures available?

Mr. MASON. I think Forest put them in if they were available; if they are not in, they are available in the Department.

Mr. ANDRESEN. I think I asked him to put them in.

Mr. MASON. I think at the time they were looked at by the Federal order committee that was mentioned, there were two markets out of line. One of them was New Orleans and the other I forget just where it was, I think it was Duluth-Superior or somewhere——

Mr. ANDRESEN. I might say for the benefit of the record at least, when the Marketing Order and Agreements Act was originally proposed, the idea back of it was to solve a chaotic condition, that was taking place in the areas surrounding these large consuming areas.

Mr. MASON. That is right.

Mr. ANDRESEN. And the primary purpose was to solve that chaotic condition by having a price-fixing proposal or in the form of orders approved by the Secretary of Agriculture. You were not around in those days?

Mr. MASON. I was not very far away.

Mr. ANDRESEN. So that the argument that has been used that it was to secure adequate production is a little bit contrary to what you have stated here?

Mr. MASON. I do not think it is contrary, because you have to have adequate production of the quality necessary for bottling purposes. If you let the classified pricing arrangements break down, which is the chaos that you are speaking of, you would end up without being able to maintain quality. That was happening. Producers' prices were low. They would be low again today. They are low today.

Mr. ANDRESEN. Well, if it had not been for the price-support program that we enacted here in dairy products in 1950, your prices all over the country even in fluid markets would have been a whole lot lower than they are today?

Mr. MASON. Yes, sir, I agree with that. I certainly agree with that.

Mr. POLK. Mr. Mason, you mentioned the Federal Order Committee established in the Department of Agriculture. Would you care to discuss briefly the recommendations or the conclusions that were reached by this committee? As I recall, they made a pretty thorough study of the Federal order program and came up with favorable recommendations.

Mr. MASON. Yes, sir; I might say that about a year ago, maybe 2 years ago, the Secretary appointed a committee to look into the Federal order program and some of its problems. On this committee was appointed, I believe, a number—14 individuals—who were what I think anyone would consider outstanding persons in the milk field. I can tell you who they are but would like——

Mr. POLK. I think you ought to put them into the record.

Mr. ANDRESEN. Put it in the record.

Mr. MASON. There was W. H. Alexander, Louisiana State University, Baton Rouge, La.; E. W. Gaumnitz, National Cheese Institute, Inc., Chicago; L. S. Holler, Belverson Co., Cleveland, Ohio; James H. Larson, Dairy Cooperative Institute, Shawano, Wis.; Gordon C. Laughlin, Consolidated Dairy Products Co., Seattle, Wash.; Frank Lent, Dairymen's League Co-op Association, Inc., New York; George

K. Lufty, Detroit, Mich.; A. L. McWilliams, Pure Milk Association, Chicago, Ill.; E. M. Norton, National Milk Producers Federation, Washington, D. C.; Otie M. Reed, National Creameries Association, Washington, D. C.; C. W. Swonger, New England Milk Producers Association, Boston, Mass.; E. E. Vial, Milk Dealers Association of Metropolitan New York, New York City, N. Y.; Earl Warner, Ohio Wesleyan University, Delaware, Ohio; W. N. Waterstreet, the Borden Co., Chicago, Ill.; William C. Welden, H. P. Hood & Sons, Inc., Boston, Mass.

Mr. JOHNSON. How many of those are actually engaged in farming?

Mr. MASON. Actually in farming perhaps none but about half of them are representatives of farmers, as managers or other officials of their cooperative associations.

Mr. JOHNSON. The rest represent handlers or processors; do they not?

Mr. MASON. The rest represent different independents; yes.

Mr. ANDRESEN. Was the report unanimous or the recommendation unanimous?

Mr. MASON. No. The report was very thorough and very well done. There was disagreement on one point, I believe, that was on the matter of compensatory payments. The majority of the committee approved the use of compensatory payments, and there is a very thorough explanation.

Mr. ANDRESEN. Who signed the report against compensatory payments?

Mr. MASON. I do not believe there are names inserted.

Mr. POLK. If I recall, Mr. Otie Reed filed a minority report. I believe that is correct.

Mr. MASON. I think so.

Mr. POLK. Is this committee still in existence?

Mr. MASON. No, sir. This committee has been discharged.

Mr. ABERNETHY. All right, Mr. Mason, you may proceed.

Mr. MASON. Any change in the legislation authorizing Federal orders could have a far-reaching effect on producers and the whole dairy economy. No one could argue that the legislation or that the administration of the program is perfect. By the same token the many criticisms which are from time to time aimed at the Federal order program should not be presumed to be valid without detailed investigation of the facts and of the consequences which might result from change.

In the National Milk Producers Federation we have been aware of the current criticisms of the order program. We have been working diligently with other industry groups in an effort to appraise each criticism of the program. Any suggestions that we have to make to improve the Federal order program at the present time can be implemented within the framework of present legislation.

It has been suggested to the committee by some of those who previously testified that one of the ways to solve the entire milk problem is to have large meetings of buyers, producers, consumers, suppliers, and labor so that everyone can express his opinion and secure mutual agreement on all matters pertaining to the dairy business.

While we commend the utopian objective of such a proposal, we would point out that in our experience the divergent points of views of buyers and sellers are impossible to reconcile to the complete satisfaction of either.

Mr. ABERNETHY. We have not been able to do that on the floor of the House.

Mr. MASON. The National Milk Producers Federation has been intimately associated with Federal orders since their very inception. We have a Federal order committee which recommends the policy of the federation with respect to legislative action on any phase of Federal orders and with respect to their administration.

Mr. POLK. You say that you have a committee?

Mr. MASON. Yes.

Mr. POLK. I wonder if your committee has come to any conclusion with reference to the effect of H. R. 1754 and S. 119 with reference to the operation of the Federal milk order program.

Mr. MASON. We did not intend to discuss that at this phase of the hearings. However, if it is agreeable with the committee, why we will answer it.

Mr. ANDRESEN. Let me state this, Mr. Norton, as I understand it, is going to appear before the committee at a later date; he is the head of the organization.

Mr. POLK. I thought Mr. Mason might, in a few words, express a statement.

Mr. ANDRESEN. I would like to get into it, too.

Mr. ABERNETHY. Read the question.

(The pending question was read by the reporter.)

Mr. ABERNETHY. Can you answer that, briefly?

Mr. MASON. Let me answer it without referring specifically to those bills. At the last annual meeting of the federation, a resolution was unanimously adopted opposing any change in the Agricultural Marketing Agreement Act.

Mr. ANDRESEN. Then you are neutral, if it is retained, you are neutral?

Mr. MASON. Oh, no, no, no; we have examined these bills as to the effect that they would have, and we are of the opinion that they would affect——

Mr. ABERNETHY. Who came to that conclusion? You say "We."

Mr. MASON. The Federal order committee of the federation and the executive committee.

Mr. ABERNETHY. Was that submitted to your—do you have an annual meeting of your organization?

Mr. MASON. Yes, sir.

Mr. ABERNETHY. Attended by delegates from various sections of the country?

Mr. MASON. Yes, sir.

Mr. ABERNETHY. Was it submitted to your annual meeting?

Mr. MASON. At that time there were no such matters as the bills in question, but the matter of Federal orders and of the Agricultural Marketing Agreement were submitted. A resolution was passed unanimously in favor of no change to the legislation authorizing the Federal orders.

Mr. HEALY. If I may say something here. Time after time and year after year all of the delegates to our annual meeting have reviewed this program as well as many others which affect the well-being of the dairy farmers, and have agreed as regards this specific program, that it is good as it stands, legislatively.

We think that there are some changes which could be made in the way the program is administered, but changes which are required by changing conditions, do not require any legislative changes at all.

Mr. LAIRD. Then you feel that the sanitary codes which have been set up in various communities in the United States constitute no barrier to the flow of milk.

Mr. MASON. We do not know of any place in the United States where consumers do not have milk available to them in quantity at reasonable prices.

Mr. LAIRD. That is not the answer to my question. I want to know whether there is any place in the United States where sanitary standards constitute a barrier to the flow of fluid milk?

Mr. HEALY. If I may, we do not believe that there is any place under any one of these Federal orders or in any market that is not under order.

Mr. LAIRD. The orders do not set up the sanitary standards. I want an answer to the question as to whether sanitary requirements in some of the markets constitute any barrier to free flow of milk.

Mr. HEALY. No, they do not constitute a barrier to the free flow of milk of the quality required for that market.

Mr. LAIRD. I want to know if there are any sanitary standards which have been set up that constitute a barrier?

Mr. HEALY. Certainly, they constitute a barrier to types of milk, yes. But to the type of milk needed for bottling and distribution as grade A milk in that market, there is no barrier.

Mr. LAIRD. Are you satisfied with the standards that have been set up by the United States Public Health Service for milk?

Mr. HEALY. Yes, we are satisfied that they do serve as a guide as local health officers to write regulations consistent with the requirements of their communities.

Mr. LAIRD. Do you think that any milk that passes and meets those standards can flow freely in the United States?

Mr. HEALY. Any milk that passes and meets those standards, as they are adjusted to local community requirements can flow freely.

Mr. LAIRD. These local community requirements then are barriers to the flow of this milk that meets United States Public Health——

Mr. HEALY. Yes, they are barriers to the flow of milk that do not meet local community requirements.

Mr. LAIRD. Then these local communities have been able to establish barriers by amending and putting in restrictive provisions in their local sanitary codes?

Mr. HEALY. I would say that they have been able to establish barriers against what local health officers might consider to be hazards to the health of their community.

Mr. LAIRD. Let us take an example now. I would like to have this explained to me. It was brought up by a good friend of your organization. Why is it that in Kansas City, Mo., and Kansas City, Kans., you can go down the street and on one side of the street you can't transfer a bottle of milk to the other side to sell in a grocery store?

Mr. HEALY. That is a good question.

Mr. LAIRD. Is there a barrier there?

Mr. HEALY. Pretty generally what we can say, in the first place, that is an unusual condition.

Mr. LAIRD. I do not know if it is unusual or not.

Mr. HEALY. Of course, here we have a man in Kansas who is charged with the responsibility for maintaining the health in his community. He has written standards which he thinks will do that job. And we have another man who is charged with that same responsibility as regards the other side of that street.

And he has done what he considers to be a job that should be done, and in this instance, as in almost every other thing that we have been talking about here today, regarding these Federal order programs.

We believe that local conditions have such a great effect upon the operation of the orders, upon the marketing of milk, that they should be given great weight in the regulation of that milk.

Mr. LAIRD. Don't you think, sir——

Mr. HEALY. Now, I do not know whether Mr. Eckles, who is joining us here in this testimony today and who used to operate a cooperative in Kansas City, might like to add to that or not.

Mr. ABERNETHY. On which side of the street were you?

Mr. ECKLES. I lived on the Kansas side and worked on the Missouri side. Each of those municipalities——

Mr. ABERNETHY. Did you cross without a permit?

Mr. ECKLES. Usually. Each of those municipalities has a local ordinance that they have determined is their own right and prerogative to inspect.

Mr. JOHNSON. Is that State law or city ordinance?

Mr. ECKLES. City—the cities are located in two different States. I do not think there is much question but there are instances of the same thing existing in our Commonwealth of Wisconsin right now, because there are handlers, there are milk distributors in suburban Milwaukee, that don't deliver across into the city of Milwaukee. What the reason for it is I do not know, probably because they do not seek to get a permit in the city.

Mr. LAIRD. What I am trying to find out, though, is, I want to know whether that is a good condition to allow to exist or if it hurts the milk industry. It would seem to me that it would add cost to the distribution of milk. That is the purpose, I think, of trying to. I do not know what is the best way to do it. We are trying to find out. I think that is the purpose of these hearings, to find out what the best way to handle that sort of a condition is.

Certainly we cannot allow sanitary barriers to be used to bar the free flow of milk, if the milk is of such quality that the health of the individual consumer of that milk is protected.

Mr. MASON. Could I comment on the question?

Mr. ABERNETHY. May I make a suggestion? If you do not object, I want to be as fair, as reasonable as I can be. This is an interesting subject and one which undoubtedly will have considerable attention hereafter. If you ladies and gentlemen will permit the witness to finish his testimony, and then if we get caught with a call of the House, we will have finished his statement. After he has finished his statement, we can return to the discussion. That is agreeable; is it?

Mr. MASON. May I make an observation?

Mr. ABERNETHY. Yes.

Mr. MASON. There are cases where these matters do come up and are troublesome. When you figure the way that the industry developed from a purely local industry, where we have had barriers to begin with which were real—you could not haul milk very far with a

wagon. As we progressed year by year and as we have brought the standards closer and closer into line there has been a growing interchangeability of milk from market to market. There has been less and less of these bothersome little provisions. I think that we are making wonderful progress with our present system. I really do.

Mr. LAIRD. Do you think this legislation might be of some help that we have introduced?

Mr. MASON. I think it would hurt.

Mr. LAIRD. Having hearings on the legislation bringing it to the attention of the American public——

Mr. MASON. I am not opposing that at all.

We attempt to keep our members fully informed as to all provisions of all orders. Members of the federation are operating under every Federal order in effect today. Therefore, we have not established a study group to find out what the orders are all about.

Our organization is in favor of Federal orders and against any change in the Agricultural Marketing Agreement Act. We believe that Federal orders are good. We continually strive to make them more effective for farmers.

Our organization stands for producers receiving the highest possible price for class I milk consistent with maximum consumption and other necessary considerations, regardless of what sanitary regulations are being enforced. A comparison of class I prices in all areas will sustain the position that freight and handling charges are the main barriers of intermarket shipment of milk. The other important barrier is in the minds of those who would tear down the results of 40 years' work in building high quality, high milk consumption, and at least a semblance of satisfactory class I prices.

We would agree that articles such as the one in Collier's do not help milk consumption.

In an earnest effort to eliminate confusion and misunderstanding about Federal orders, the Federation has met and is meeting with other segments of the industry and the Government.

The following is a statement of policy agreed upon by a joint committee of the Milk Industry Foundation, the Evaporated Milk Association, and the National Milk Producers Federation. These organizations are the main groups that deal with the mechanics of Federal orders every day.

There has been a substantial and rapid growth of the Federal milk marketing order program since the end of World War II. On December 7, 1941, there were 21 milk orders and only 1 of those was issued in 1941. At the end of the war in 1945. There were 26 milk orders. In March 1955, with some orders having been consolidated with others, there were 56 milk orders; and hearings have been held on 7 others. There are requests for hearings on 12 orders and producers in a number of other markets are reported to be considering similar requests.

From the viewpoint of fluid milk producers these Federal milk orders have undoubtedly achieved their objectives. Particularly in the older markets the orders are well understood, and although improvements can be made, that part of the industry operating under the program views it not only as permanent but also as generally constructive.

Many of the recent milk orders, however, are applicable to areas without previous experience with milk control or cooperative milk producers' associations. Notwithstanding the years of Federal and State milk regulation, the demand for a Federal milk order finds some of the new markets in substantially the same position with respect to the problems and policies involved in the governmental regulation of milk as existed with the beginning of such regulation in the early 1930's. Apparently many markets have applied for promulgation hearings without an understanding of the responsibilities or limitations of the Federal

milk marketing order program, and without exerting all efforts to solve marketing problems between distributors and producers without Federal regulation.

The factors involved in establishing and maintaining Federal orders are exceedingly complex. Each order must be geared to local conditions yet must maintain a proper interrelation between order markets and the general dairy economy. Under these circumstances it is not unreasonable to have questions raised regarding the program. There is reason to believe that improvements could be made in the understanding and appreciation of the objectives and policies of Federal milk market orders as well as in the handling of many specific problems and provisions of such orders.

It is in the interest of all phases of the dairy industry to eliminate unnecessary areas of confusion, suspicion, and misunderstanding regarding any dairy program. The milk order committees of the Milk Industry Foundation, the Evaporated Milk Association, and the National Milk Producers Federation have considered various phases of the Federal milk order program, including many of the questions that have been raised. These committees, mindful of their responsibility to the dairy industry, have discussed with the Dairy Division of Agricultural Marketing Services, several specific suggestions designed to clarify and improve the program—within the framework of existing law. It is the combined judgment of this group that most, if not all, of the problems can be solved in this way.

The suggestions which have been made cover such matters as the need for a comprehensive guide on practices and policies, improved communication, expediting actions, hearing notices, several basic policies on long range pricing, compensatory payments, and other problems. The detailed suggestions are being worked on, with further meetings scheduled.

Mr. JOHNSON. On those lists of problems that you have listed there on page 13, I do not see anything about the surplus in these marketing orders.

Mr. MASON. That is covered, Mr. Johnson, in the question of long-range pricing.

Mr. JOHNSON. It is my observation, although I was not here in Washington at the time like Mr. Andresen was, I was sweating out the depression in Wisconsin at that time. These orders have done a lot to eliminate the confusion in the milkshed area.

Mr. MASON. That is right.

Mr. JOHNSON. But by the surpluses you are causing more confusion in the other areas of production where manufacturing milk is produced?

Mr. MASON. No, I do not believe that is true.

Mr. JOHNSON. They have the protection of the class A price to stop them from getting such low prices on their blended price.

Mr. MASON. That is right.

Mr. JOHNSON. The more milk they produce, the more butter and cheese is going into consumption, or tried to be consumed and it will make the market for butter and cheese, which the people up in the manufacturing areas will have to compete with. They are competing against them and getting protection on the Grade A milk. I do not see that you can deny that.

Mr. MASON. There is no indication that the producers in the Federal order markets are contributing any more to the surplus production than the nonorder markets.

Mr. JOHNSON. Listen here, they are getting their protection to protect them on the Grade A milk and Mr. Andresen, who is here from an area that produces manufactured milk, went ahead with legislation to help them. After they got this protection, they have turned around and by their action are working against the farmers whose Members in Congress helped to get this protection through.

Mr. MASON. The Class I prices have not stayed up while other prices have gone down. They are all coming down to the detriment of all farmers. The Federal orders have maintained the classified pricing systems and to that extent the producers supplying the Federal order markets have had some protection.

Mr. JOHNSON. They have had some protection, on the milk that went into Class I for bottling.

Mr. MASON. What we want to do, we want to help the producer of manufactured grade milk. We want to help the fluid-milk producer, too, by uplifting them all, not by grinding down the markets where we have been able to maintain somewhat higher prices because someone else cannot have them.

Mr. JOHNSON. I am glad to hear that you are interested in the fellows outside of the milkshed areas.

Mr. MASON. We certainly are.

Mr. ANDRESEN. On page 10, in the fourth paragraph, the last sentence, you would indicate that the important barrier in the minds of those who would tear down the results of 40 years of work in building up high quality. I can assure you of this, that it is not my intention to tear down either the high quality or the price received by the producer in any section of the country, in sponsoring some of the legislation on this subject. So, whoever you refer to there, you are not referring to me. I am not sure you are referring to any member of this committee.

Mr. MASON. No, sir.

Mr. ANDRESEN. If you are, why, you want to disabuse your mind of that idea.

I do not know who wrote that.

Mr. MASON. I wrote the phrase, and I was not referring to any member of this committee or any Member of Congress. But it does bother us to read articles like the one in Collier's to read articles here, there and every place about everything that is wrong with the milk business. It does not make consumers drink more milk or eat more dairy products.

Mr. ANDRESEN. I might say there are other things, too, that might be wrong.

Mr. MASON. That is right.

Mr. ANDRESEN. As I told you, I was not an economist but I know something of the realities of the dairy business and the practical end of it. So that I hope that the Milk Federation is not taking the attitude that those who are trying to improve the position of the dairyman generally throughout the country that we are trying to wreck anybody.

Mr. MASON. No, we do not. What we are fearful of is that we know we have problems. We have problems in Federal orders. We have problems in support prices. We have problems in health regulations. We have problems in production. We have lots of problems in the dairy business. But let us as industry people go to work and improve them one by one without getting consumers and everyone else involved in little instances where something can be played up to turn consumers against milk, butter, cheese and the other dairy products.

That is what we have in mind.

Mr. ANDRESEN. We want to increase production. That is our primary objective of good quality dairy products.

Mr. JOHNSON. You mean consumption. We have plenty of production right now.

Mr. ANDRESEN. I mean consumption. You did say in your statement that your organization had taken a position that they wanted to retain the present orders as they were, they are working out satisfactorily. Still you make certain suggestions of changes.

Mr. MASON. Without changing legislation.

Mr. ANDRESEN. I am not in favor of giving very much authority to an administrator who does not observe the intent of Congress. I can point out and will point out how even in this act the administrator of the order has not followed the language of the law and the intent of Congress at the time the law was enacted. That is all.

Mr. ABERNETHY. I have one question I want to ask. Mr. Mason, in your opinion, has the Federal Milk Marketing Order Act had any effect directly or indirectly upon the price of milk to the farmers in the so-called surplus products areas—in manufacturing-milk producing areas?

Mr. MASON. We think it has helped producer prices, in the manufacturing milk areas by setting the stage for higher milk use in the big metropolitan areas which lessens the surplus problem. Yes, sir.

Mr. ABERNETHY. Any other questions?

Mr. JOHNSON. Your testimony would say, then, there is a surplus in both areas, in the milkshed area and the surplus in the manufactruing-milk areas?

Mr. MASON. Yes, sir; there is an overall surplus in milk.

Mr. JOHNSON. It is probably that surplus that is causing most of our troubles and loss to farmers?

Mr. MASON. Yes, the thing we have to our credit I think, or the most hopeful thing, with all of the attention on the dairy problem, the dairy industry has never produced over a 7-percent surplus. I do not think there is any other commodity that falls within that small range.

But the problems that have been created by that small surplus have been terrific.

Mr. JOHNSON. How large a loss in dollars would you estimate a year that the farmer has taken in the last 2 years as a result of that 7 percent of surplus?

Mr. MASON. I do not know if I could estimate that but it would run——

Mr. JOHNSON. Do you care to supply the figures?

Mr. MASON. It would run into millions of dollars.

Mr. JOHNSON. Do you care to supply them for the record?

Mr. MASON. I do not know what the prices would be without the 7-percent surplus.

Mr. HEALY. We do know that dairy farm income in 1954 as compared to 1953 was about $600 million less with more milk.

Mr. JOHNSON. How did 1953 compare with 1952?

Mr. HEALY. I cannot answer that. I do not know the figures.

Mr. MASON. The difficulty started in November of 1952.

Mr. JOHNSON. We all know that it started in November 1952.

Mr. LAIRD. I notice in your testimony that the National Milk Producers Federation has always stood for flexibility in the price support of milk and dairy products. What I would like to find out is if you have ever given any consideration to any kind of production controls in the dairy industry?

Mr. MASON. Yes, we have. At the last annual meeting, which is the biggest organization exclusively of milk producers, we went on record as being opposed to quotas on the production or sale of milk.

Mr. JOHNSON. How many people were present at that meeting?

Mr. MASON. Probably 1,200 of the top leaders.

Mr. LAIRD. They represented how many producers, milk producers?

Mr. MASON. Half a million.

Mr. JOHNSON. Had they had a vote in their various cooperatives on that?

Mr. MASON. In many, many cooperatives. The question of quotas has been taken to the local meetings in the country. It was on the basis of those meetings, those opinions, that the leadership expressed their opinion.

Mr. JOHNSON. You do not know how many of these meetings have been held?

Mr. MASON. I would have no way of knowing. I know there were many of them.

Mr. ABERNETHY. Was that vote taken in consideration of the possibility of a higher price support, so-called 90 percent support?

Mr. MASON. It would vary from area to area as to how the question was put to producers.

Mr. ABERNETHY. I get a good deal of mail. And I am getting it now from dairy producers to the effect that all they want is what the "rest have." They have reference to the so-called 90 percent support price for basics. I always, in answering those letters, ask them if they are willing to take the same production controls, quotas, and so forth, and I seldom get a reply. The reason I ask the question is I wanted to know whether or not the dairy industry, that is your organization, that part of it that is within your organization, took that vote in consideration of the fact that to accept quotas they would get a 90 percent support?

Mr. MASON. I am sure that was the consideration, yes.

Mr. ABERNETHY. I have always stated and I say now that if the dairy producer wants that, I am willing to give it to him. Or I am willing for the basics to take what the dairyman has now; unlimited production, with a flexible price.

I say I have got both dairy producers and cotton producers in my area.

Mr. LAIRD. Do you think the cotton producers would take that?

Mr. ABERNETHY. Definitely. With unlimited production, they would fill this country with cotton.

Mr. MASON. I think dairymen would favor the flexible support, because of the extremely difficult job of trying to manage quotas for milk.

Mr. ABERNETHY. I am amazed to find the dairy industry, with uncontrolled production, has produced no more than a 7 percent surplus?

Mr. MASON. I think the reason——

Mr. ABERNETHY. I am really amazed to find that. I know that if that sort of a program was geared to the production of wheat, and cotton and peanuts, so-called basic commodities, I am just afraid to even imagine what they would produce.

I think it is remarkable that dairy farmers have restrained production as well as they have. I am unable to account for it. How do you account for it?

Mr. MASON. For two reasons. Primarily, it results from the fact that dairy farming is a 7-day a week proposition, and a high labor proposition.

Mr. ABERNETHY. We cotton farmers like to go to town on Saturday.

Mr. MASON. A lot of other people do, too. One further fact, in the production of corn, wheat, or cotton, over the past 30 years, output per man-hour has advanced much more rapidly than it possible could in dairying, because of the restriction of labor.

Mr. ABERNETHY. You are exactly right about that production per man-hour. The increase in production is terrific.

Mr. GROVES. Not in dairying.

Mr. ABERNETHY. The full committee is in executive session. They have sent for us.

This has been a very interesting morning. We have enjoyed it immensely. I am really getting an education in these hearings, something I need, incidentally.

Mr. MASON. We very much appreciate having this opportunity and if there is anything further that we can supply you with, we are ready and willing to help in any way we can.

Mr. ABERNETHY. We will have another witness in the morning.

Mr. HEALY. I have another figure that Mr. Johnson asked for a minute ago. The difference between 1952 and 1953 was about $800 million less.

Mr. ABERNETHY. The committee will stand in recess until 10 o'clock in the morning.

(At 12:20 p.m. the hearing was recessed to resume at 10 a. m., Friday, April 29, 1955.)

STUDY OF THE DAIRY INDUSTRY

FRIDAY, APRIL 29, 1955

HOUSE OF REPRESENTATIVES,
COMMODITY SUBCOMMITTEE ON DAIRY PRODUCTS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D. C.

The Commodity Subcommittee met, pursuant to adjournment, in room 1308, New House Office Building, Hon. Thomas C. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy (presiding), Polk, Johnson, Knutson, Andresen, and Laird.

Also present: George L. Reid, Jr., assistant clerk.

Mr. ABERNETHY. The subcommittee will come to order.

We have met this morning for the purpose of hearing testimony from Dr. A. C. Dahlberg, professor of dairy industry, Cornell University, Ithaca, N. Y. We are delighted to have you here, Doctor. I see that you have a prepared statement which has been distributed. Before reading your statement, I would appreciate it if you would, for the record, identify yourself in such detail as you care to.

STATEMENT OF A. C. DAHLBERG, DEPARTMENT OF DAIRY INDUSTRY, CORNELL UNIVERSITY, ITHACA, N. Y.

Mr. DAHLBERG. My name is Arthur C. Dahlberg. I am a professor of dairy industry at Cornell University, where I have been located for a considerable number of years.

It is my purpose to present a résumé of the most important findings of a research study on milk regulations and milk quality which was issued by the National Research Council as publication 250 in 1953. I shall endeavor to give enough of the historical development and the current situation in reference to sanitary control of milk for bottling to permit placing the results of this study into the current situation.

This problem of sanitary milk control and milk quality is of major significance to our country. The fundamental importance of milk in the diet, of dairying in agriculture, and of agriculture in the national economy and general welfare makes it essential to deal with this subject factually.

A milk supply of any municipality to be entirely satisfactory must possess high sanitary quality, good flavor and keeping quality, and acceptable nutritive value. It must be available to consumers in uniform and adequate quantities, and at reasonable prices. In view of the nature of the business of milk production reasonable financial satisfaction and stability of markets to the milk producer are essential.

Historical: Emphasis on sanitation in the food industry as we know it today began in the final decades of the last century. It was the period of the campaigns for pure foods which were prompted by too

frequent cases of food or ptomaine poisoning. Bacteria of most types, including pathogenic and toxin producers, grow particularly well in milk at temperatures which were very prevalent 50 years ago because milk is such an excellent food for them as well as for man. Years ago milk was a very common carrier of disease-producing bacteria and the death rate among children fed on cow's milk was particularly high. It was the time when disease control was the major consideration in any study or discourse on milk sanitation. As disease epidemics are local in nature it became the responsibility of the local health department to meet the problem. There was no fund of knowledge upon which to base the formulation of these regulations so each municipality prepared its own sanitary milk ordinance based upon local and personal experiences.

From this humble beginning there has developed in this country a large variety of sanitary milk regulations with which the dairy industry has usually complied in good faith with the result that there now exists in this country one of the finest sanitary milk supplies of any country in the world, It is well to always bear this in mind when one becomes rather critical of irregularities in the orderly marketing of milk due to these regulations.

It was the often repeated statement that sanitary regulations serve as economic trade barriers in the dairy industry and sometimes raise the retail price of milk unnecessarily that prompted the investigation of the National Research Council. The study was limited to sanitary regulations, and to the quality, nutritive value, and other properties of the milk. It did not deal specifically with the influence of these regulations on the free movement of milk in commerce or with the retail price of milk.

Variations in regulations: This national survey of milk regulations included all States and cities with a population of 100,000 or more. I should say that the national survey which is not clear in this list of regulations, was published in a prior publication preceding that of publication of these which I have referred to.

It was found that the responsibility for milk sanitation had been delegated by the legislature in about equal numbers to either the State department of agriculture or to the State department of health. In a very few States there was divided authority. The actual law enforcement was done by the local city or city-county health department under the supervision of and often with the direct assistance of the State regulatory agency. Thus, the enforcement of milk sanitation for milk for fluid consumption has continued to be primarily at the local level.

The most generally used ordinance was that recommended by the United States Public Health Service in 1939 as this ordinance served as the basis for laws and regulations or was adopted without alteration in about one-half of the States and cities. Its use was rather limited in the northeastern area of the United States and in some of the far Western States.

In all States it was mandatory for the local health department to use State regulations as minimum requirements of sanitation but it was mandatory in only two States that the State laws should be enforced with little or no alteration by local health departments.

Essential regulations: This research study has shown that the sanitary quality of milk was dependent upon the rigid enforcement

of a rather limited number of essential facilities and procedures for the production of sanitary milk on the farm. These essentials may be stated with oversimplification but it is only by such presentation that the true basis of sanitation can be presented clearly.

The first essential is that the milk shall be produced on the farm with every reasonable precaution to prevent contamination with pathogenic bacteria. The cows shall be healthy, the premises shall be relatively free from flies, and shall be protected against contamination with sewage.

There shall be a potable water supply in adequate amount. It is very encouraging to note that this first essential was based on published literature of milk-borne disease epidemics of the past for it could be proved by this experimental procedure only if disease epidemics had been encountered and their causes determined. There has been no disease epidemics attributable to milk for a large number of years in all of the cities studied, hence no data could be obtained on this point.

The second essential is that the milk shall be produced by clean cows, milked into clean utensils, in clean surroundings.

On an average the higher the saitary score for cleanliness of milk utensils on the farm, given by the milk sanitarian in this study, the lower the bacterial count of the milk was found to be. Generally, when the utensils were clean, conditions were found to be clean in the barn, milkhouse and surroundings. Most of the cities required facilities for washing and sterilizing utensils in the milkhouse and usually the utensils were cleaner where such facilities were available.

The third essential of producing milk of high quality is prompt cooling of the milk to a temperature of 50° Fahrenheit or lower. It was found that milk supplies not cooled to this temperature generally contained the largest number of bacteria even though produced under clean conditions. The milk supply of one city was studied at two seasons of the year and the principal variation between seasons was the efficiency of cooling. The milk produced then by these same dairymen varied greatly in bacteria count, depending upon the efficiency of cooling of the milk in the summer and winter seasons.

These three major factors in sanitary milk production are well known but this study was the first to show that scores for cleanliness of utensils and temperatures of cooling of entire milk supplies were definitely related to the sanitary quality of the milk. It is recognized that there are many ramifications involved in obtaining compliance with these three major factors but the whole problem of sanitary milk regulation is greatly simplified if we keep them in mind as the means to the desired goal, namely, a wholesome sanitary milk supply.

There has always been much discussion as to the relative merits of farm inspections and the testing of milk samples as procedures for effective sanitary control of milk supplies. This study clearly emphasized that both farm inspection and milk testing were essential. There is need for the health department to inspect farms to be certain of adequate facilities for the sanitary production of milk. The presence of these facilities does not assure milk of good quality but it does mean that if the producer desires to do so, he has the equipment with which he can produce milk of good sanitary quality.

Inspection of farms twice a year was recommended. A definite relationship was found between the number of samples tested for

sanitary quality and the bacterial counts of the milk. The data show that if the milk complied with the usual standard of 200,000 bacteria per milliliter as received at the plant it was necessary for milk samples to be analyzed semimonthly.

The value of these analyses lies in their prompt usage by field sanitarians who work with producers to improve the quality of milk not found to be satisfactory. Unless this field work is done there is little value to be derived from the analyses of the milk. This research study showed that as the number of visits by field sanitarians increased the bacterial counts of the milk decreased and these visits were prompted most often by tests of the milk showing it to be of unsatisfactory quality.

This interrelationship of farm inspections and milk-testing emphasized the necessity for close relationship and cooperation between the local health department and the dairy industry. The job of inspecting to insure that facilities are present on the farm can be done very effectively by the health department or other delegated authority, but it is easier for the milk company to test and check the quality of the milk and then do the followup work with milk producers.

Other items of special interest: There were many regulations in some of the city ordinances and State laws for which there appeared to be no specific public health necessity, yet it should be promptly stated that some of these regulations may be desirable farm practices. In view of this situation the conclusion was reached that the law or ordinance should be limited to essentials and the regulatory agency should promulgate recommended facilities and procedures particularly valuable to the producer of milk in that area. There are so many of the regulations to which I refer that ought to be recommended practices that I need not take the time to enumerate them for your attention.

As an illustration, it may be mentioned that one city ordinance required running water piped into the barn and the barn floor flushed down with flowing water before each milking. Now there is no doubt about the fine sanitation of washing the barn floor after the cows are ready for milking, but such a procedure might be recommended rather than required.

The usual teaching that milk of finest quality is produced under the finest sanitary conditions is not necessarily correct. It happened in this study that some milk with relatively high bacterial counts had much better keeping quality as measured by flavor and bacterial growth when held at 44° F. for 8 days after pasteurization than did milk which had low initial bacterial counts. The economic or market quality of milk may not necessarily be enhanced by production under rigid sanitary regulations. This does not mean that sanitation is of doubtful value in respect to public health but that other factors may be more important in affecting flavor and keeping quality.

As a general rule the more detailed and severe the regulations the more sanitary the milk was found to be by the usual laboratory analyses. It should be pointed out, however, that this improved quality was not due to the large number of sanitary regulations but it was definitely related to the very rigid enforcement of the limited numbers of factors essential to sanitary milk production.

From a public health viewpoint the milk of all the eight cities studied in this investigation was found to be of very high sanitary quality.

The regulations varied enormously. This means that a good job of supplying the public with a wholesome, nutritious high quality milk was being done irrespective of the differences in sanitary regulations. This was true because all the control agencies and the dairy industry generally recognized and usually complied with the essential factors of sanitary milk production.

As there was considerable variation in the milk as shown by analysis and it was entirely satisfactory from a public health standpoint, it should be obvious that there is no public health reason to increase the severity of regulations beyond those now in force or to establish higher standards of sanitary quality simply because the milk was produced. Furthermore, a city which had some of the most expensive producer regulations had the third lowest price of milk to the consumers. Also, the milk dealers of 2 cities with comparable sanitary regulations were supplying milk to consumers at the highest and at the lowest prices of any of the 8 cities in the study. It was concluded therefore, that sanitary regulations were not a major cause of differences in retail prices of milk but sanitary regulations do affect costs of milk production and should not be formulated without due respect to their influence on these costs.

One of the very encouraging aspects of this work was the splendid attitude and cooperation of all milk regulatory officials whose cooperation was solicited or who took an active part in this study. They had nothing to gain personally from the investigation, yet they offered their facilities and active cooperation and the results of their own work as shown by the sanitation of the dairy farms and of the processing plants, and the quality of the milk supply sold in their cities. They knew that some criticisms might be made of their work as a result of the study yet they were willing to accept such criticism in the interest of advancing milk sanitation.

Dairy producers and milk plant personnel also cooperated wholeheartedly in the study. When such a splendid spirit of cooperation exists to advance the work of milk sanitation progress will be made in the needed simplification and unification of regulations and the more ready acceptance of high quality milk produced under the supervision of another agency.

I should point out that all officials concerned with assuring a wholesome milk supply depended upon pasteurization in the milk plant and the protection of pasteurized milk against contamination as the final guaranty of purity to the consumer.

The details governing pasteurization and the contamination of pasteurized milk were many, and it is right that it should be so. Much more uniformity was found in plant equipment, especially for pasteurization and for protection of pasteurized milk against contamination than was found in regulations affecting milk production on the farm. The great value of these safeguards of the pasteurization process is emphasized in recent years by the absence of disease epidemics attributed to properly pasteurized milk.

Certain deductions have occurred to me in respect to these sanitation problems. It was evident that local health departments believed that nearby sources of milk may be supervised with the least effort to secure the best milk supply. The quality of milk does not improve with age. Local regulations have been formulated for local conditions and can be adjusted most rapidly to permit adoption of new develop-

ments of proved or probable value. Local authorities took pride in local accomplishments. Local producers planned to supply the market and obtain an adequate return for an ample quality milk supply.

There is no justification for the use of public-health regulations to restrict trade or to affect prices beyond that which is necessary to assure an adequate supply of wholesome milk. I realize that health regulations have interfered at times with the free movement of milk beyond justified limits but sanitary regulations have never to my knowledge been enforced to such a degree as to create and maintain a milk shortage in any market.

The principal restrictive and troublesome problems in sanitary regulations have been due to too much exercise of authority in creating unusual regulations, by variations in requirements of different markets, by multiplicity of inspections, by unwillingness of one health department to accept the work of another health department, by too little faith in the good sanitation work of industry, and by the natural desire to develop and maintain intact a local source of supply. These problems are troublesome at times but they may be solved slowly and effectively by the present system of regulation which has been given us one of the world's best milk supplies.

Even though the analysis of milk is essential there is no test that can be made on milk to determine infallibly whether it is wholesome and safe to consume and if it has been produced under conditions acceptable to the consumer so it will be necessary to supervise milk production and pasteurization to assure an adequate constant supply of wholesome nutritious milk.

Mr. ABERNETHY. Mr. Andresen?

Mr. ANDRESEN. Dr. Dahlberg, I have enjoyed very much hearing your statement and of course, I would like to have further benefit of that report. Is that a lengthy report?

Mr. DAHLBERG. I have two copies here. They are, of course available for distribution through the National Research Council or through the Department of Agriculture.

And they are long. This first one, which is National Research Council, Publication No. 121, in 1950, deals entirely with the regulations that are in existence in the States and in the cities over 100,000 population. And that is 59 pages long.

Mr. ABERNETHY. Who published that?

Mr. DAHLBERG. Published by the National Research Council.

And available both through the council and the Department of Agriculture. This work I should say in that connection was financed through the Department of Agriculture.

Mr. ABERNETHY. That is available then as a public document?

Mr. DAHLBERG. Yes.

Mr. ANDRESEN. We might be able to get copies of them for the members of the committee.

Mr. ABERNETHY. Mr. Reid, would you make a note to get copies of that document.

Mr. DAHLBERG. And the second one, may I just say I referred to chiefly which is entitled, "Sanitary Milk Control and Its Relation to the Sanitary, Nutritive and Other Qualities of Milk" is one to which reference is made in this prepared statement, publication No. 250. But that is 174 pages long. So it is quite long.

I would call your attention in this publication to a statement——

Mr. ABERNETHY. Is that a Federal document?

Mr. DAHLBERG. This is also published by the National Research Council; distributed by both the Council and Agriculture Department.

Mr. ABERNETHY. When was it published?

Mr. DAHLBERG. In 1953.

Mr. ABERNETHY. All right.

Mr. DAHLBERG. Just prior to the table of contents there is a suggestion to readers. The reason for that being inserted is that some may not want to read the entire manuscript and it is suggested that if you want a bird's-eye view of this to read the conclusions.

If you wish to get more information, begin on page 91 and read through page 128 which gives the summary and is then followed by the conclusions.

The main points are clearly given in it. But anyone who is in this line of work should read it from beginning to end.

Because, everything that is in those two sections is not necessarily covering everything that is in the presentation of results.

Mr. JOHNSON. I read the larger volume. I did not know the other volume was available.

I found it very interesting.

Mr. ANDRESEN. Do you consider the United States Public Health sanitary standards for milk, if properly administered, and enforced to be a satisfactory standard for the entire country?

Mr. DAHLBERG. The question of one code for the entire country is largely a matter of interpretation of that code. The code as it stands is quite detailed. It is a very excellent ordinance. There is not any question about that. It is quite detailed, however, and I think it is well to put it the other way—those cities and States that have adopted it in the past have done so with considerable modification, though it is the basis of the whole thing.

Mr. ANDRESEN. There are about 30 States or a little more than 30 that have adopted it?

Mr. DAHLBERG. A little more than half of the States and a little more than half of the cities beyond 100,000 population have adopted it.

The exact number is given in that one publication.

Mr. ANDRESEN. Probably if we could have the summary and conclusions and recommendations included in here, we might also examine it, Mr. Chairman.

Mr. ABERNETHY. I have requested the clerk, I am requesting him again to secure copies of both publications and let us just suggest that we make a mental memorandum to determine whether or not we will include them in this record since they are available as public documents.

Mr. ANDRESEN. I just would like to get a little summary of it in here, if we can.

Mr. ABERNETHY. Into this record?

Mr. ANDRESEN. Yes.

Mr. ABERNETHY. It would depend on who prepared the summary.

Mr. JOHNSON. You have given a pretty good summary here.

Mr. DAHLBERG. There is a reasonably good summary here.

Mr. JOHNSON. Yes.

Mr. DAHLBERG. If you want me to give what we thought should be used as a summary of it, in popular form, it is given in the conclusions.

Mr. ANDRESEN. What I have in mind is this, you have mentioned 10 or 12 cities. You have not mentioned where the cities are, what they are and where they are.

Mr. ABERNETHY. They are in this report, though.

Mr. DAHLBERG. Yes.

Mr. ANDRESEN. I have not read the report. Was the District of Columbia, the city of Washington, in there?

Mr. DAHLBERG. Yes.

Mr. ANDRESEN. And are you familiar with the sanitary standards here in the city of Washington?

Mr. DAHLBERG. We made a detailed study of the sanitary standards in the city of Washington and I should say that in this report we did not use information available but everything is original. All of the milk analyses, all of the inspections, we personally did, in order to determine the quality of the milk supplies.

Mr. ANDRESEN. It seems as though one of the requirements here is that the milk cans have to be washed with a certain chemical. Have you any opinion on the need for just one particular type of sanitation when it comes to cleaning the milk pails and milk cans?

Mr. DAHLBERG. I have opinions in reference to that. It seems to me that the local health department is obligated to give to the producers of the area one recommended procedure which is well adapted to their use, so that they can follow that procedure if they so wish.

However, any procedure which produces clean cans that are reasonably sterile should be accepted.

Mr. ANDRESEN. From any acceptable method?

Mr. DAHLBERG. By any acceptable procedure; that is, I do not think there is any reason for prescribing that one procedure only must be used in doing a job such as washing and sterilizing equipment. I think there should be one recommended, because the producer would like to know what does the local regulatory agency think should be done by him. If he does not wish to do it that way and wished to do it some other way, which seems most acceptable to him, and if the results are entirely satisfactory so far as the sanitation of the cans or pails are concerned, the procedure ought to be accepted as long as it is a procedure which let us say, is not strictly unique.

Mr. ANDRESEN. Then you feel that we could have a national standard where there would be alternatives so that they could use those that would meet the requirements in any particular community or State?

Mr. DAHLBERG. If one were to write up a national recommended procedure it would be necessary, I think, to use several. We would want to give a procedure from the viewpoint for example of what we call dry storage, chemical disinfectants, the type which are acceptable and the hot or steam sterilization so that the range would be covered in order that we would not write in just one method and say, that is what we must use. The difficulty with writing in one procedure is not only the adaptability of the procedure to all conditions of farming, but also the matter of fixing a method which must be used from now on and practically forever after. It stops progress.

Mr. ANDRESEN. That is the trouble in the district as I recollect it.

Mr. DAHLBERG. You will find in this publication a very specific statement in regard to the district. What is required that is unusual, and so on?

Mr. ABERNETHY. In which publication?

Mr. DAHLBERG. In the one you have in your hand.

Mr. ABERNETHY. That is——

Mr. DAHLBERG. Publication 250.

Mr. ABERNETHY. No. 250.

Mr. DAHLBERG. Yes; you will find a résumé in there of the requirements and those which are considered to be different than the usual ones. That is given in there.

Mr. ANDRESEN. Does your report cover Kansas City, Mo.?

Mr. DAHLBERG. No; the cities covered were Washington; Boston; Rochester, N. Y.; Louisville, Ky.; Birmingham, Ala.; Houston, Tex.; Sacramento, Calif.; and Minneapolis, Minn. Those are the eight cities.

Mr. ANDRESEN. I am glad you mentioned Birmingham.

Mr. ABERNETHY. And Minneapolis.

Mr. ANDRESEN. We have heard this from reliable sources that milk produced in Mississippi could not be shipped into Birmingham.

Mr. ABERNETHY. That is not because of the health regulations. I think we are in the inspection area.

What you have reference to is an order that was recently issued by the price-fixing board of the State of Alabama.

Mr. ANDRESEN. Do you ever find a clashing of minds among these inspectors, I will call them sanitary inspectors, the ones who promulgate the rules and regulations, like in Kansas City, Kans., and Kansas City, Mo., where we were told yesterday the dividing line is on the main street of the town, and a dealer who has equally good milk on the Kansas side cannot bring a bottle of milk over into the Missouri side in Kansas City. Do you think there is such a clashing of minds between the scientists in the different communities that they cannot agree on a uniform standard?

Mr. DAHLBERG. May I ask first, Is this line drawn as a result of public health regulations, and sanitary quality or is it a matter of milk-control business, or what?

Mr. ANDRESEN. I really do not know who brought it up. Did you bring it up yesterday?

Mr. LAIRD. Yes.

Mr. ANDRESEN. What was it?

Mr. LAIRD. It happens to be in that particular case. The sanitary requirements that bar the movement.

Mr. JOHNSON. You have two different States involved.

Mr. LAIRD. You have two different cities. It is not a State problem.

Mr. JOHNSON. State line is right down the middle of the street.

Mr. ABERNETHY. Did you read the Collier story?

Mr. DAHLBERG. I certainly did.

Mr. ABERNETHY. That is the source of the information; isn't that correct?

Mr. LAIRD. I do not think it was in the Collier's story.

Mr. DAHLBERG. I do not recall it in there.

Mr. LAIRD. I do not believe so.

Mr. ANDRESEN. This is something from your own research.

Mr. LAIRD. Yes.

Mr. DAHLBERG. As I understand the question, I am quite sure that it is generally agreed, among milk sanitarians as to the essentials of

producing a sanitary milk supply. I am also equally sure it is not generally agreed as to some of the details which should be put into the regulations to effect these essentials. If you know what I mean.

Mr. ANDRESEN. I am following you all right. [Laughter].

I get down to this point then that I would like to have your observation on this: Would it not be much better then to have a uniform regulation throughout the country that could meet all situations?

Mr. DAHLBERG. Well, you are in a rather, let us say, difficult one to handle, and to realize just what is involved from the viewpoint of where we are going when the attempt is made. We have made great progress in milk sanitation under our present system. There are difficulties. There is no question in reference to that. There are things which need smoothing out and which I think, in the long run, will be handled at least partially. There is nothing that is wrong with the ultimate result, the quality of the milk under our present system. And before I would like to even pass an opinion on the one uniform standard, I would really like to know what it is and how it is going to be administered because that is such a critical part of the whole thing. That is the thing under which I think we are encountering most of our discussion and difficulties such as they may be at the present time.

Mr. ANDRESEN. Of course, we also find the human element entering into things here in this Congress. I am sure that is one of the great problems throughout the country.

That is why I referred to clashing of minds between these sanitary inspectors.

Mr. DAHLBERG. That is the reason why in this report, in one place we have written in that one of the most important factors in producing milk of good quality on the farm is the desire of the dairyman to do so; without that, you cannot get very far, regulations or no regulations. The human element enters into this from beginning to end. And there is much discussion among milk sanitarians in reference to what is desired, what is not desired, and I suspect that the broader the field that is covered, the more those discrepancies of opinion will grow.

It will be all the harder——

Mr. ANDRESEN. I have found from my observation in this study that there is a general resistance on the part of the producers to make a change and to probably improve conditions on their farms unless there is some inducement for it.

Mr. DAHLBERG. That is true to a certain extent, but it is also true, I think, that the producers in the main who are supplying our fluid-milk markets, realize that they must advance if there is reason for it, and they must develop a farm situation which is satisfactory to the consumer and to the regulatory agency and which will give a satisfactory milk supply. They may not look at it in that light individually, but in their overall impression, they recognize it. I give as an example of that the fact that in one of the cities that we have studied, Rochester, N. Y., there was no requirement in reference to electric refrigeration. They could have cooled milk any way they had a mind to.

But 98 percent of them had electrical refrigeration and the city had no authority to require it.

Since this study that has been pointed out, that there is a rather definite relationship between cleanliness of utensils and sterilization

and facilities in the milkhouse, in this same market, city market, there has been a marked increase in hot water and wash vats in milkhouses, in spite of the fact that it is not required.

That indicates that education and reason can go a long way with producers irrespective of the absolute essential requirements of the ordinance. They do cooperate. I do not think there is any question on that.

Mr. ANDRESEN. If there would be a national ordinance that would have certain alternatives in it, that could be followed and met the general specifications for sanitary milk, do you think that would work out all right?

Mr. DAHLBERG. There are two or three things in reference to this national standard that have always been puzzling to me. I am not just so sure how the thing might be prepared in sufficient detail to be generally applicable, and if it is prepared in general terms, as I think it would need to be, then the question comes in of interpretation. That is the purpose of the large and extensive code which accompanies the United States Public Health Service ordinance.

Then comes the question of how that would be enforced. It must be enforced obviously on a local level. And how easy it will be for that to be altered and adjusted to make it possible for the producer and the dairy industry generally to follow new developments which either improve the quality of milk or make it cheaper to produce it.

As an illustration, take the matter of the bulk milk tanks on farms which have come in within the past few years. It was stated to me by a State regulatory official the other day that in his State now 40 percent of all of the milk for bottling purposes was handled by this procedure, which was unheard of through any State just a few years ago. It probably is a more economical way of producing milk of higher quality.

If we were under one standard, it becomes much more difficult to adjust that to give these new developments an opportunity to advance.

What I am about to say is not a matter of discredit at all to our present United States Public Health Service ordinance because I think it is an excellent one. It was generally adopted by the present States and cities as recommended in 1939. The revision of it was made in 1953. And the last month I heard a representative of that service say that so far as he knows the 1953 edition had not been adopted as yet by any city or State.

So we have in 1955 a 1939 ordinance in effect generally in all of those areas that have adopted it.

I do not mean by that that the States and cities modify faster there necessarily, because in this study, I think it is pointed out and I give this only from memory, and it may be inaccurate, that one of the city ordinances which we encountered had not been revised in approximately 40 years. So that they may lay very still, too, but nevertheless, being on a strictly local basis, they do have the opportunity to change them, adapt them to changed conditions much more rapidly than could be done on a national basis.

Mr. ANDRESEN. Do you know if this amendment to the order involves a considerable expenditure on the part of the producer?

Mr. DAHLBERG. I think the expenditures to the producer is not great except in one instance, and that is in reference to the cooling of milk. And I should say that the old ordinance is very faulty in that.

regard in requiring cooling of milk to 70° which of course is a ridiculously high temperature. The new one requires cooling to 50°.

Mr. ABERNETHY. For my own information, these standards that are fixed at the Federal level, they were fixed by the United States Department of Health; that is correct, is it?

Mr. DAHLBERG. Yes.

Mr. ABERNETHY. It is not incumbent on anyone necessarily, to comply with those standards. That is a suggested standard, is it?

Mr. DAHLBERG. Those standards have no force of law except for milk on interstate carriers and except for a limited few instances of use through Federal agencies. So far as the States and cities are concerned, they have no force of law at all. And it is made very clear in that regard in the ordinance, that these are the 1953 recommendations.

Mr. ABERNETHY. Is it fair to say that in many instances the standards which are fixed by the various cities and consuming areas about the country, the differences in them is just the difference, I would not say in all instances, but in many instances, the difference of the mind of one person operating differnet from that of another?

What I am trying to say is, we just do not all think and act alike?

Mr. DAHLBERG. Yes, we do not all think and act alike. We have often thought that our local conditions are quite different than those which exist in some other areas. Might I mention one item on that? We have mentioned the city of Birmingham, and their ordinance forbids the use of bedding in the dairy barn.

Mr. ABERNETHY. Is it also fair to say, I am not trying to defend now, I am just asking your opinion—or to prosecute either—is it also fair to say that the ordinances of some cities may be what some of us here or others might assume to be more restrictive, that they came about as a result of the local health departments feeling a deeper obligation to the consumers of that area, than those at the national level felt in fixing the national ordinance?

Mr. DAHLBERG. That has worked both ways. In some instances the cities and States have made regulations which are more detailed and more rigid than those recommended by the United States Public Health Service, and in some instances the States and the cities have made regulations which are not as rigid as those of the United States Public Health Service.

In this study of the National Research Council, we have grouped the cities into three classes on the basis of the rigidness and detailedness of regulations. And the cities which have used the recommended ordinance of the United States Public Health Service are in the middle group.

Mr. JOHNSON. What are the various cities and where do they stand, which in the No. 1 group?

Mr. DAHLBERG. The No. 1 group from the standpoint of the most detailed and rigid regulations are the cities of Birmingham, Washington, and Sacramento. I should say that Sacramento is in a State wherein the city has no authority in making regulations. They must enforce only the State regulations.

The cities with the least rigid and detailed regulations were those of Rochester and Boston. And the three cities that had adopted practically intact the United States Public Health Service recommendations were Houston, Louisville, and Minneapolis.

Mr. JOHNSON. We are considering the fact of national health regulations as one of the things to stop barriers between the States for the free flow of milk. And you hear mostly among the people that are opposed to that say we could not enforce them in the various cities as they would be unconstitutional.

I know you are not an attorney. But in your study have you ever heard that same argument?

Do you know people that have looked into that angle of the question? Would it require a constitutional amendment?

Mr. DAHLBERG. I do not know, I do not say anything in reference to constitutionality of a Federal law, taking over the present authority of the cities in reference to the control of public health measures within the city. Everyone I suppose would guess about the same as I do, namely, that you would expect that those cities who secure their milk supplies interstate would come under the law and those cities whose milk supplies are strictly intrastate would not come under the law. I do not know whether that is a fair thought or not but whether that is the way it would be, I can imagine a tremendous confusion if that is the situation.

Mr. ANDRESEN. That is the same way as we have with other laws with the Federal Government on interstate business and transactions like that, but during the past 15 or 20 years, it has been determined that what is done within a State may have an impact upon interstate commerce and consequently the Federal regulation has extended into a particular State and area.

Mr. DAHLBERG. I know nothing in reference to that, as to that situation.

Mr. ANDRESEN. Some have suggested that we ought to declare the distribution of milk and transportation a public utility. Have you any ideas as to whether that would be desirable?

Mr. DAHLBERG. It seems to me that what I have said toward the end of the written statement pretty well expresses my belief. We have done so well under our present system that I dislike to see the system just thrown overboard and start all over on something else. I would rather see us grow from what we have got.

Mr. JOHNSON. You would rather not see Congress tinker with the regulations, then?

Mr. DAHLBERG. And if they do, I would prefer to build on what we have got, rather than to try and take away from both the States and the cities the rights of controlling their own local milk supply.

Mr. JOHNSON. Would you recommend any changes in the present Federal health standards that have now been recommended, simplifying them in any way?

Mr. DAHLBERG. You are referring to these?

Mr. JOHNSON. The 1953.

Mr. DAHLBERG. Recommended ordinance and codes?

Mr. JOHNSON. Yes.

Mr. DAHLBERG. I think the present recommended ordinance is excellent. One or two of the serious omissions of the 1939 recommendations have been corrected. It is a little difficult to pass judgment from the standpoint of adaptation within a local market until you see just what your conditions are and how it is going to be interpreted.

This matter of interpretation and personal opinion in reference to what is said becomes so important then in this whole milk inspection, and regulations, that it in some regards becomes all-important. As for example, a man going out to a farm where facilities are available, looking at the farm, and saying, "This farm is perfectly satisfactory for producing milk and this one is not."

That becomes very largely a matter of personal opinion. So it is that we need rather careful training and supervision, it seems to me, of the sanitarians who are doing this work.

Mr. ABERNETHY. All of these standards, national and State, are fixed by Federal and State authorities, that is, in the State which have the result of being law.

They are not fixed by statute, are they? That is, by legislative act?

Mr. DAHLBERG. Yes, in the States they are fixed by legislative act, or authority is delegated to a State public health council to draw up the detail.

Mr. ABERNETHY. That is right.

Mr. DAHLBERG. I think the classic example of that is right here in the District in which there is so little written in the sanitary law, and the so-called farm-inspection form has the force of law and is used in their work.

Mr. ABERNETHY. I understand that. That is my point. That is, that the authority is given to a designated body and when they fix the standards of course they have the effect of becoming law, but actually the standards are not written by a legislative body and put into the law.

Mr. DAHLBERG. That is not necessarily true.

Mr. ABERNETHY. It is not?

Mr. DAHLBERG. Because in so many States this advisory council will draw up the detail of what is desired and then it is passed by the legislature. So it does become the law of the State.

Mr. JOHNSON. Then your State must delegate down to the city the right to make other special regulations?

Mr. DAHLBERG. Usually the State law provides that the details which are given are minimum standards and says nothing whatever in reference to what else a city may enforce. I think therein lies one of the difficulties of the present situation. In the State of California, which is the other extreme, the State law provides that the city has not the authority to change the standards and provisions. They have the force of law as the minimum standards, and you cannot put on a higher minimum by the city.

Mr. ABERNETHY. Is it done there by the Public Health Service?

Mr. DAHLBERG. The State in this case. It is done by the Department of Agriculture, working with the city health department.

The State there has gone much further than just simply prohibiting the cities from changing the minimum standards upward.

They prescribe the educational and experience qualifications of milk sanitarians and maintain a list of approved ones, and any city hiring a sanitarian for work on dairy farms or in milk plants must have that individual first approved by the Department of Agriculture as a properly trained and experienced and reliable individual.

Mr. ABERNETHY. Do weather conditions in different sections of the country, that is, the range of temperature and the areas such as mine

where it gets pretty hot in the summer and even hotter out in the West—does that enter into the fixing of these standards?

Mr. DAHLBERG. I think it is a rather important factor in a great many instances.

Mr. ABERNETHY. That, then raises a question.

Mr. DAHLBERG. Could I add one thing? For example, the point which I mentioned in reference to Birmingham, forbidding the use of bedding in the dairy barn is solely a climatic situation. It is much better not to bed. Up in the northern part of the country bedding of good quality is essential and must be prescribed. In the one case you must have it. In the other, you must not have it if you are going to do the best possible job. I say you must not have it; of course, they could bed if they are a mind to, but certainly they can do a much better job where the cattle are only driven into the barn to eat their grain and be milked and then be turned out to pasture or out in an exercise lot.

It is much better not to have bedding in the barn.

Mr. ABERNETHY. That raises then a question as to the advisability of a uniform standard for all 48 States, and all of the hundreds and maybe thousands and thousands of consuming areas.

Mr. DAHLBERG. There is no question about the raising of a problem there. Let me give an illustration from the viewpoint of this matter of new methods and improvements which I have mentioned which may be seriously jeopardized by holding strictly to a national standard.

In one of the cities that we studied the ordinance now prescribes that in the milkhouse there must be so many square feet of window-pane in the milkhouse per so many square feet of floor space, the idea being that it shall be well lighted. When we were there we discussed at considerable length with the sanitarians, the desirability of changing the law to prohibit windows in a milkhouse.

The basis of it is this:

That if you look into a milkhouse that is reasonably well kept from a sanitary standpoint the chances are that one of the places which will look the least satisfactory is the window. The window attracts flies and things of that sort. It is the least easy to wash and keep clean and so forth. It serves no useful purpose from the standpoint of light except on bright days when the farmer is using the milkhouse during the period of sunshine and the light which is all-important is the artificial light, because most of the time he works by artificial light. Therefore, if we should eliminate the window-panes and make it a smooth wall and prescribe that he must have an adequate supply of artificial light, we have improved the situation.

If we had a national standard prescribing the amount of window light in the milkhouse, it would be almost impossible to shift that and eliminate the windows over the United States, all in one big sweep. But from the standpoint of a local city, they might try it out without violating any national law, without violating necessarily any State law, and they could try it and see how it worked and if it worked well, they would then prescribe it, and if it is a great advance in new construction, it will sweep the country, and it will come in, and eliminate the windows that are in it. The actual fact is it came up for discussion. Shall we have so many feet of window space or shall we prohibit window space?

Mr. JOHNSON. That regulation about window space probably came in at a period when they thought that the sunlight would kill the germs in the milkhouse.

Mr. DAHLBERG. I think that came in at a time when the artificial light being largely a kerosene lantern was so bad, that you certainly wanted to have all of the window light you could have. It still stands on the books. Today the electric light is much more satisfactory than the window light, even in the daytime under most circumstances. And it is hard to change these things off the books even on a local level. For example, the most prevalent or one of the most prevalent dairy-farm regulations, that you shall have a small top milk pail used in the dairy barn. Now that came in when we were hand-milking cows to stop any foreign material from dropping into the pail of milk.

Well, in all of this study we never even encountered any farm that did not have electricity, and we never encountered a farm that was hand-milking. But yet the pail which is best for hand-milking and which, in my judgment is poorest for machine-milking is generally prescribed. It is a difficulty of getting something off the books that is once on them.

My point is, I may be all wrong, if you feel lost in the national legislation—and you know more about that than I—it may be more difficult to alter it on a nationwide basis than on a city or State basis, that is, to get these little irregularities smoothed out.

Mr. ABERNETHY. May we suspend just a minute?

(A brief recess was taken.)

Mr. LAIRD. Dr. Dahlberg, do you think that these local sanitary regulations and State regulations act as a barrier to the free flow of milk in any cases in the United States?

Mr. DAHLBERG. I think there is no doubt that at times these regulations do affect the free flow of milk, but I am equally sure that they do not restrict the flow of milk in such a way as to affect the overall milk consumption, or an ample supply of milk in any given market. It has been my observation——

Mr. LAIRD. They do not restrict the production of milk in the local area?

Mr. DAHLBERG. The production or the availability of milk. That has been my belief that our milk consumption has increased per capita as a result of our public-health regulations, because these regulations have given great confidence in the quality of our milk supply, and rightly so. Whenever it happens that a city milk supply is apparently to be short, milk can always be found to be brought in, and the city does not develop a shortage of milk as a result of regulations.

I do not know of any instances in which that has occurred. There may be some but I have not encountered them.

Mr. LAIRD. I do not think there has been any suggestion that health regulations be done away with so far as the products of milk are concerned. I think that certainly would be a very serious mistake. We have heard that there were certain times when these acted as a barrier to the flow of milk. I was just interested in finding out if you had any experience with that.

Mr. DAHLBERG. We point out in this publication for example that milk producers of Rochester, N. Y., could not ship milk down to

Washington, D. C., in the market. Requirements are obviously enough different that any sanitarian going up into the Rochester market would undoubtedly condemn the supply, on account of differences in detail of milk production, even though the supply is very wholesome and of very high quality. In that regard it does affect the free flow of milk. There is not any question in regard to that, but I think the point of special interest is as to whether or not it is a factor in affecting the availability of milk of high quality at reasonable prices to a given city milk supply.

Mr. LAIRD. Does it have anything to do with the shift in milk production from one area of the country to another selected area of the country?

Mr. DAHLBERG. I doubt that we have any information on that. At least I do not know of any data to show that health regulations have affected the overall total milk production in a given area.

Mr. JOHNSON. Are the health regulations seriously raising the price of milk for the consumer?

Mr. DAHLBERG. I do not think so.

Mr. JOHNSON. That would be very important, I would think.

Mr. DAHLBERG. We have pointed out in this publication a very specific statement on that, and I have briefly reviewed it in this. I was trying to find here if I can, a statement which we have put into the conclusions, which I think summarizes this matter of prices and I am reading you directly one paragraph:

> No doubt there are differences in costs of producing milk on the farm, due to variations in the requirements of sanitary regulations, which were reflected in higher prices paid for milk for bottling than for manufacturing. However, since many other and more important factors affected milk prices, there was no relationship between the details and rigidness of enforcement of sanitary milk regulations and the retail price of milk during this investigation. It is evident, though, that sanitary requirements for production of milk sometimes varied sufficiently to restrict movement of milk from one market to another.

I think that is about as far as we can go in reference to a statement on it.

Mr. JOHNSON. I would like to say that I think Dr. Dahlberg's testimony to the committee has been very helpful and it has been a wonderful statement. I have enjoyed your one volume, and I am going to read the other one when time permits.

Mr. ABERNETHY. Dr. Dahlberg, we certainly appreciate your statement. It has been very fine and very helpful. We are delighted that you could come down and be with us.

(At 11:30 a. m. the committee recessed subject to the call of the Chair.)

STUDY OF THE DAIRY INDUSTRY

FRIDAY, MAY 6, 1955

HOUSE OF REPRESENTATIVES,
COMMODITY SUBCOMMITTEE ON DAIRY PRODUCTS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D. C.

The Commodity Subcommittee met, pursuant to adjournment, at 10:10 a. m., in room 1310, New House Office Building, Hon. Thomas C. Abernethy (chairman of the subcommittee) presiding.

Present: Representatives Abernethy, Knutson, Andresen, Williams, and Laird.

Also present: John J. Heimburger, counsel; and George L. Reid, Jr., assistant clerk.

Mr. ABERNETHY. The committee will come to order.

We have met this morning for the purpose of hearing testimony from Dr. Roland W. Bartlett, professor of agricultural economics, University of Illinois.

We are very delighted and very happy that you could be here today.

Do you have a prepared statement?

STATEMENT OF ROLAND W. BARTLETT, PROFESSOR OF AGRICULTURAL ECONOMICS, UNIVERSITY OF ILLINOIS, URBANA, ILL.

Mr. BARTLETT. Yes; I have a prepared statement, Mr. Abernethy.

Mr. ABERNETHY. If you will please, identify yourself for the record.

Mr. BARTLETT. My name is Roland W. Bartlett. My title is professor of agricultural economics at the University of Illinois.

I have been working on these problems of dairying marketing for about 30 years. My main work has been research and teaching and extension in the field of dairy marketing.

I talked with Mr. Abernethy just a moment before this session began, and he suggested that it might be of interest to bring to date some of the things that have happened since I presented testimony here on July 7, 1953.

Several things have happened since then which, to me, are a movement in the right direction.

During my testimony when I was here in July 1953 we were discussing the question of 90 percent parity as compared with 75 percent parity.

At that time, one of the questions discussed was the question of 90 percent versus 75 percent of parity, as previously stated, and we were producing a lot more milk than was being consumed. Of course, it was being purchased by the Government.

In that hearing I discussed the question of a paper that I had written at that time, the essence of which was to recommend going from 90 percent to 75 percent of parity. I discussed particularly the relation of the butter industry, that it was unsound basically to keep on buying a lot of butter and having it at a price higher than it could be absorbed in sales.

The change in the purchase situation since then has been very pleasing to me, particularly as I have noted the decreasing volume of purchases month by month in the past fiscal year.

The question of how long the Government will have to continue to purchase at 75 percent of parity, I do not know. They have purchased some commodities. In 1955 I expect that it will be a small volume; and in 1956, likewise, and I would expect by 1957 that the surpluses would be pretty well melted away.

Within 2 years or 2½ years, I expect, assuming the normal increase in population, with these 2,800,000 additional babies above deaths continuing, and if consumer income is maintained at a fairly high level, in my opinion, the basic problem of surpluses that the Government has, to buy to clear the market, will be pretty well absorbed.

Mr. ABERNETHY. Are you assuming that production will remain at the present level?

Mr. BARTLETT. I think that production is likely not to increase too much under the present situation.

Mr. ABERNETHY. There has been a right substantial increase in the last 2 or 3 years, has there not?

Mr. BARTLETT. A very substantial increase from 1953 to 1954. For 1955 apparently it will be about the same as 1954.

I was talking yesterday with one of the economists from the State of Minnesota, Dr. Kohler, and it was thought that there might be a drought up there this year. If so, we might have even a decrease in the production in the dairy area.

Personally, I think that the reduction from 90 to 75 percent of parity was the soundest thing that could be done for a long time for the dairy industry. And the increase in sales which is coming about as a result of on one hand a somewhat lower price and on the other hand of vigorous programs, such as the school milk program, has helped.

We are getting more and more markets in the United States.

Mr. ABERNETHY. It has not affected the price of milk, has it?

Mr. BARTLETT. Yes. Let us take specific markets. I just made a study recently of markets which had increased sales the most during the past 2 years. I took the years 1952 and 1954. I took those because that is the period before really the surplus hit us and since the surplus.

I studied all of the Federal order markets in relation to sales, where their sales area was pretty much in line with the marketing area as set forth in their areas.

The city which increased most—the metropolitan area which increased most—was Kansas City—metropolitan Kansas City.

That, of course, is both in the State of Missouri and the State of Kansas, consisting of 4 or 5 counties.

In 1954 the per capita sales in Kansas City were 12.8 percent above those of 1952. That was in 1954.

During this period prices had fallen 2.6 cents for a quart to the consumers, or a decrease of 12.9 percent.

For each percent decrease in price in Kansas City we had a 1 percent increase in per capita sales.

To me that is very significant.

The second market in line was the city of St. Louis. That was the second market that increased sales the most during this 2-year period. St. Louis has been selling milk in the stores at low prices. At the present time—I looked at the June United States Department of Agriculture fluid report and you can get 2 quarts for 29 cents in St. Louis. The dealer's gross margin is 6.4 per quart, one of the lowest in the United States.

We can tie definitely the increase in sales to the pricing, which includes on the one hand, the class 1 price and which includes on the other hand the lower handler margin.

Mr. ABERNETHY. I have forgotten who it was now, but some witness about 8 or 10 days ago, brought some very specific pricing information to us, supported by statistics from the Agricultural Marketing Service for the Department of Agriculture, to the effect that since the advent of the 75 percent support price that the national average for the sale of milk had dropped four-tenths of 1 cent per quart.

He further stated that many things entered into that change in price; that the lowering of the price support might have had some effect, but there were other things that he brought to the attention of the committee which also had an effect on it.

In presenting that testimony he was not attempting to justify or to criticize the change in the support price. He was just simply bringing us the information.

Is that correct, that it was four-tenths of 1 cent?

Mr. LAIRD. I think that was the testimony, so far as the per quart price was concerned. The witness stated that the price of the milk might have gone down a little more than that, but there were other factors such as the bottling charges, the packaging costs and the labor costs that might have been eaten up in further lowering of the price.

Mr. BARTLETT. Of course, I think that we should clear our minds on this question of distribution of retail prices as compared with the parity prices. Basically, farm commodities compete with each other on the wholesale basis and not on a retail basis.

Specifically, we have in Illinois, Kane County, a beef and dairy producing area. When dairy prices are high, the beef people go into dairying. We had a period about 2 years after the bottom fell out of the beef prices that situation. That was a factor—that was one of the causes of this big surplus all over the United States—the low beef prices. Some of these beef farmers like to eat, and they like monthly checks. So they turned to dairying.

When the wholesale price of condensery milk and other manufactured products fell it took away the incentive for these beef people to rush into dairying. Some are going back to beef.

Mr. ANDRESEN. I am sure that I misunderstood you, but I just want to clarify it. Can a man get in and out of the dairy business in 2 years?

Mr. BARTLETT. Yes, he can, to a certain degree, Mr. Andresen. Of course, the relative degree depends upon the individual. Probably the biggest single factor in that picture was the question of cull cows.

When the price of beef was high they would cull quickly. When the price of beef went down they kept the cows. But when dairy prices were high and beef prices low, they would keep the cows much longer. Since we have had a decrease in dairy prices the culling has been much greater the past year than before.

Mr. ANDRESEN. That is not what I have been able to find. I have found the price of cows was high, that is, canner and cutter cows, when they would get $200 or $300 or $400 for an animal, the tendency then was to sell those. That is when the prices for meat were high.

Mr. BARTLETT. Just taking the United States statistics at January 1, 1955, the number of milk cows were 1 percent less than the year before. That is an indication of what was happening.

Before I go any further in this, I would like to get into some of the specific statistics.

Mr. ANDRESEN. There is just one other question that I would like to ask. You seem to lay considerable stress in all of what you have said has happened, because of the reduction in the support price on manufactured milk from 90 percent to 75 percent. You mentioned the St. Louis area which is under a milk marketing order. You mentioned Kansas City which I understand is also under a milk marketing order.

Mr. BARTLETT. That is correct.

Mr. ANDRESEN. The Secretary of Agriculture fixes the minimum price that the producers are to receive, notwithstanding any support price.

Mr. BARTLETT. Yes.

Mr. ANDRESEN. We had here the other day a witness from the State of Connecticut. He said the price for class one milk was $6.04, and for blended it was $5.60, as compared with $2.90 a hundredweight for milk in the milk manufacturing areas.

Mr. BARTLETT. I would like to get into my exhibits soon, because I have material that bears definitely on these questions.

The question of the Federal order pricing, you are correct, is a question whether that has kept in line with the condensery prices or not. In some markets it has. In some it has not. I have specific markets to show where it has kept in line and specific markets to show where it has been out of line.

Mr. ANDRESEN. I did not want to leave the impression here that this increase in consumption is all due to what the Secretary of Agriculture did in dropping the support price from 90 percent to 75 percent, because the main item in that was butter, cheese and other like products, as that is the way the price of milk is supported.

Mr. BARTLETT. That is true. If we keep clearly basic economics on this, namely, that is why I brought in that a moment ago, that farmers tend to shift to commodities where they make the most money—and the lower parity prices for manufactured dairy products is a basic reason why in 1955 production is not likely to exceed 1954 and may even go under.

The question is that the farmers do not think in terms of retail prices themselves, although they are very much interested in them. Their own actions depend upon the blend price that they receive themselves.

Mr. ANDRESEN. I agree with you on that. I know that in my own area where we are largely a dairy district, many, many, farmers are

going out of the dairy business and going into beef cattle. And they raise more hogs and more poultry and more corn and soy beans.

Mr. BARTLETT. And they shift, do they not, because they figure that they can make a little more money in that than in dairying?

Mr. ANDRESEN. Sure. Our farmers are just as clever as some of the businessmen that we have in this country. They might not be as clever as some of the economists that we have. They know what it means in return and income. And if they can make more money in producing some other commodity, they will go ahead and do that.

It is pretty difficult to get into the dairying business in 2 years' time, however.

Mr. BARTLETT. That is right. I would say, Mr. Andresen, the answer to that is the question of a relative degree. There are 2 or 3 factors that can hold up production.

One is not selling cull cows.

One is higher feeding.

Then there is the question of how many heifers are coming in. That is something outside of your immediate control.

The production is to a certain degree flexible.

Mr. Abernethy raised the question that we did have increased production from 1953 to 1954, about 3 billion pounds. It is 124 billion roughly in 1954 and about 121.3 in 1953. That was the result of the relatively high price.

The momentum of that high price, of the 90 percent parity, caused that.

Then we dropped that.

I would like to get into this. I have some specific charts dealing with this question.

Mr. ABERNETHY. Maybe we had better get into them.

Mr. BARTLETT. Taking this first page, I have set forth the main things that I am going to discuss, and then refer to four exhibits.

Based on facts available, both present and past, I am convinced that Federal regulation of milk prices has done three things:

One. It can be credited with their preventing a substantial part of the conflict between milk producers and dealers which in corresponding periods of price change in the past, were accompanied with milk strikes and physical violence.

That is demonstrated in exhibit No. 1.

I should like to have that made a part of the record.

Mr. ABERNETHY. This exhibit, together with any other charts and exhibits that you may have, will be put in the record.

(Exhibit No. 1 is as follows:)

EXHIBIT I

CHICAGO MILK STRIKES IN THE EARLY 1930'S [1]

Prices to producers fell from $2.49 per 100 pounds of milk in 1929 to $1.44 in 1934. This drastic reduction in prices was accompanied by violence and resistance and led to the milk strikes of January 1934, and October 1935.

With the passage of the Agricultural Adjustment Act in May 1933, attempts were made to regulate prices both to farmers and consumers at levels above the prevailing store price. Because of the abundance of milk and the demand for low-priced milk, it was impossible to enforce prices either for producers or consumers. In January 1934, however, attempts were made by organized producers, to shut off the supply of milk produced by independent farmers and sold

[1] Part of unpublished manuscript discussing the Chicago Milk Market. Bartlett, Roland W., Department of Agricultural Economics, University of Illinois.

to independent dealers. According to Business Week [2] for a week practically no milk got to Chicago excepting a small volume by special arrangement for hospitals, babies, and invalids. Trucks hauling independent milk were stopped and the milk dumped into the river.

Following January 1934 the struggle between organized and independent dairymen and organized and independent dealers continued culminating in the milk strike of October 1935. This strike was accompanied by threats, intimidation, dumping of milk, burning of bridges, and at least 2 or 3 deaths. Excerpts from publications show some of these events.

Chicago Daily Tribune (October 8, 1935): "Striking dairy farmers of northern Illinois last night blew up one section of track on the Chicago & Northwestern Railroad, burned out a 48-foot wooden railroad bridge, and set fire to another to prevent the passage of a milk train from Wisconsin * * *."

"A coroner's jury in Kenosha, Wis., returned a finding last night that there was no negligence in the death of Herman K. Slater, a striker who was killed by a milk truck * * * early Saturday.

"The testimony showed Slater deliberately stood in the path of the oncoming caravan of milk trucks, waving his arms and trying to flag them down."

Chicago Daily Tribune (October 9, 1935): "The strike violence of the day centered chiefly in Lake, McHenry, and Boone Counties. A tragic incident was the death of Chief of Police Herbert Lesch * * *. He was fatally injured * * * when his motorcycle collided with a State police car which was convoying milk shipments * * *."

"Near Waukegan pickets clubbed 1 truckdriver, fired several shots at another, and dumped 3 truckloads of milk * * *."

"On Skokie Road * * * pickets seized John Lewandowski * * * and clubbed him so severely that he was taken to a hospital."

Chicago Daily Tribune (October 12, 1935): "At Hebron in McHenry County, nearly 6,000 gallons of milk stored in a warehouse was spoiled by the pouring of kerosene into its containers."

Reports similar to those of the Chicago Daily Tribune, were published in the October 19, 1935, issue of Business Week under the title "Dumped Milk and Broken Heads"; and in the October 19, 1935, issue of the Literary Digest under the title "Milk Strike Violence," as well as releases in many other papers.

The strikers finally accepted a 30-day truce by Gov. Henry Horner, during which a solution was to be sought by a committee set up for that purpose.

Mr. BARTLETT. Two. Preventing milk strikes and violence in such Federal order regulated markets has made it possible to maintain an increase per capita sales of milk above what they would have been without regulation; and

Three. In some markets under Federal regulation, class 1 prices have been fixed substantially higher than they would have been under competition, and have thereby worked against the public interest by lowering per capita sales of milk.

Now, taking the first point under exhibit 1, this is a résumé of what occurred in the Chicago market during the milk strikes in the early 1930's. The essence of this is that they blew up bridges; some farmers had busted heads; and they put kerosene in the milk, and there was general chaos in the industry without Federal regulation.

In the period since then, with Federal regulation, the prices of class 1 and class 2 milk in Chicago have gone up and down pretty much in line with manufactured prices. I credit the Federal order in the Chicago market specifically for having helped increase the per capita sales.

Mr. ABERNETHY. As previously stated, you want these exhibits put in the record. They will go in the record as a part of your testimony.

Mr. BARTLETT. There are 4 exhibits specifically to which I am referring.

[2] January 13, 1934, p. 10.

The main point in regard to the first exhibit is that if we should eliminate Federal regulation of milk markets today there would be chaos all over the country and the per capita sales of milk would decline, in my humble opinion. So anyone who thinks that we would clear the market by throwing out regulations, it seems to me is off base.

The second point deals with exhibit No. 2.

(Exhibit No. 2 is as follows:)

EXHIBIT II

FACTS ABOUT OPERATION OF THE CHICAGO FEDERAL ORDER

1. Condensery prices tend to keep in line with United States farm prices. (Fig. 1.) This is true for all regions in the United States (table 1). During and after World War II, condensery prices were somewhat higher than the general level of farm prices but moved in the same direction.

2. Since the inception of the Chicago Federal milk order, class I and class II prices have gone up and down with condensery prices (fig. 2).

3. Between 1940 and 1954, blend prices paid to milk producers averaged 49 cents per 100 pounds higher than condensery prices (fig. 3). The net difference decreased from 74 cents in 1953 to 48 cents in 1954.

4. Condensery prices have been considerably higher than butter prices since 1935–39 (fig. 4). During World War II butter prices were fixed by Government while condensery prices were permitted to rise.

5. Since 1935–39, cheese prices and condensery prices have gone up and down together (fig. 5).

6. During World War II prices of skim milk powder were held at a high-level (fig. 6). Between 1948 and 1952 prices of skim milk powder changed with changes in condensery prices. Since 1952, skim milk prices have been relatively higher than condensery prices.

7. Between 1946 and 1950 there was a sharp increase in number of grade A producers on the chicago market (fig. 7). Since 1953 there has been a sharp reduction in the number of producers. In January 1955 there were 1,400 fewer producers on the Chicago market than a year previous. With the blend price dropping from 74 cents in 1953 to 48 cents above condensery prices in 1954 (fig. 3). some shippers and several milk plants have elected to sell their milk in markets other than Chicago.

8. In 1954, the average daily deliveries per producer in the Chicago area averaged 533 pounds of milk daily, or 200 pounds more than in 1940 (fig. 8).

9. Between 1940 and 1950, milk deliveries under the Chicago Federal order in September, October, and November, averaged 9 percent more than sales of class I and class II milk during these same months (table 2). While in 1946 and 1947 there was a real shortage of milk, for most of this period there was enough milk to meet market needs.

10. Between 1951 and 1954, milk deliveries under the Chicago Federal order averaged 20 percent above class I and class II sales. In 1953, this proportion increased to 35 percent, but fell off to 22 percent in 1954.

11. Since 1951, a supply-demand price adjustment was put into operation under the Chicago Federal order. This operates on the principle of increasing prices when more milk is needed to insure an adequate supply, and decreasing prices when milk deliveries in relation to sales are too high. Premiums above regular prices were paid from December 1951 to February 1953 (table 3). Since then, with an abundance of milk, price deductions have been made under the supply-demand formula. During all of 1954 and from January to March 1955, 24 cents per 100 pounds was deducted from regular premiums. With a decrease in manufactured milk, the deduction fell to 21 cents in April 1955, and to 18 cents in May 1955.

EXHIBIT III

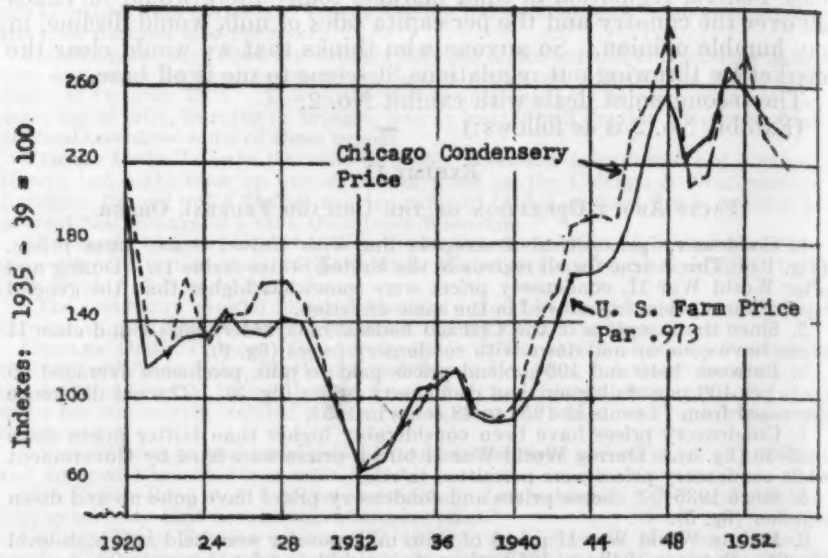


FIGURE 1.—Changes in Chicago condensery prices and United States farm prices, 1920–54.

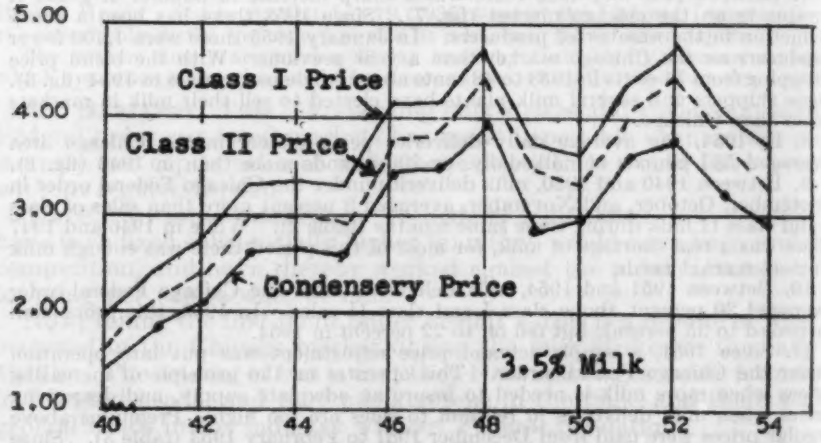


FIGURE 2.—Prices for class I, class II, and condensery milk, in the 70-mile zone Chicago, 1940–54.

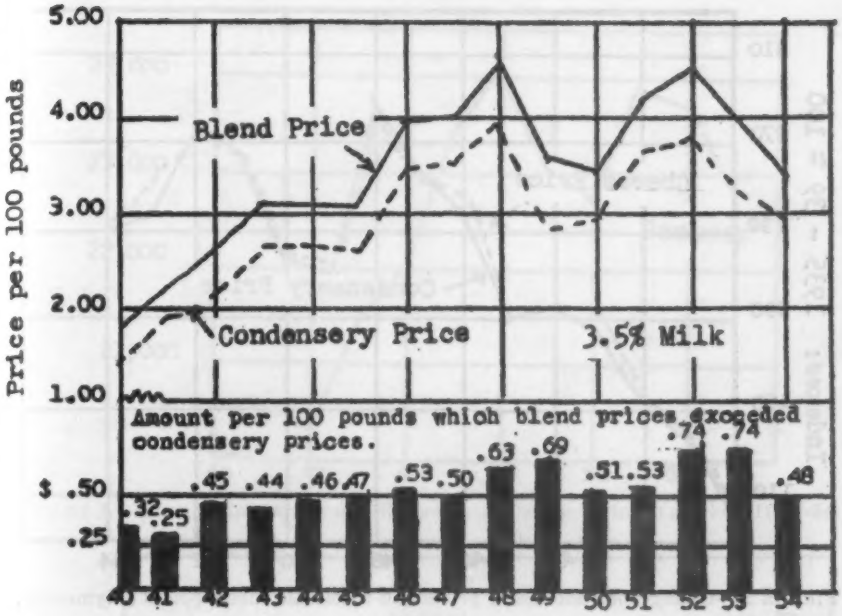


FIGURE 3.—Blend prices, condensery prices, and net differences, Chicago, 1940–54.

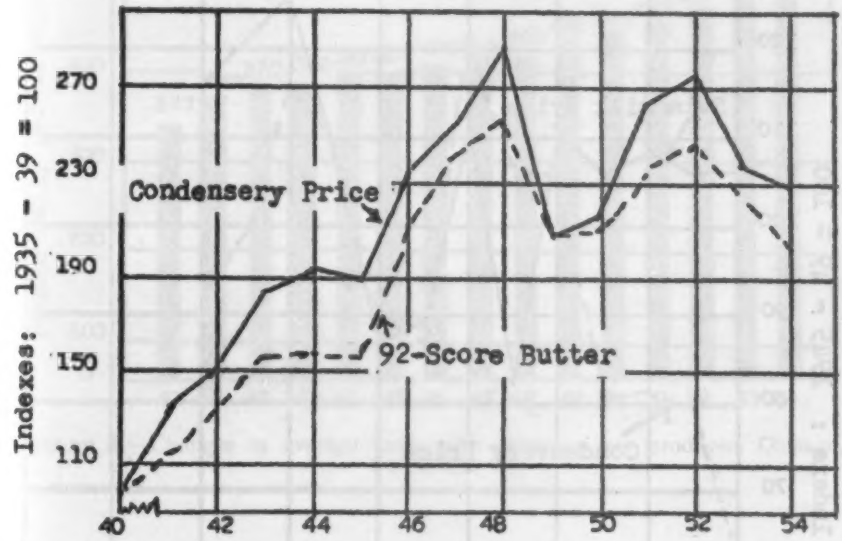


FIGURE 4.—Changes in condensery prices and 92-score butter prices, Chicago, 1940–54.

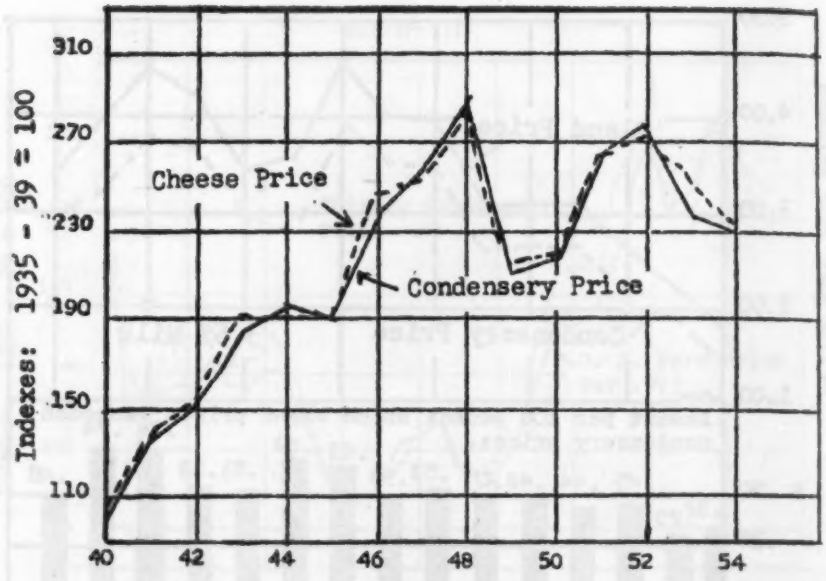


FIGURE 5.—Changes in condensery prices and wholesale cheese prices (Plymouth), 1940–54.

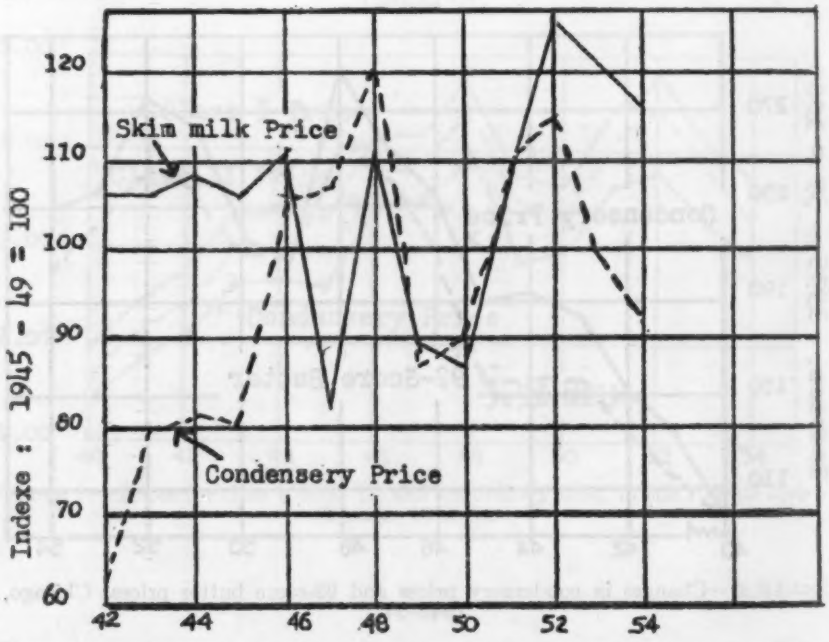


FIGURE 6.—Changes in condensery prices and in prices of skim-milk powder, Chicago, 1942–54.

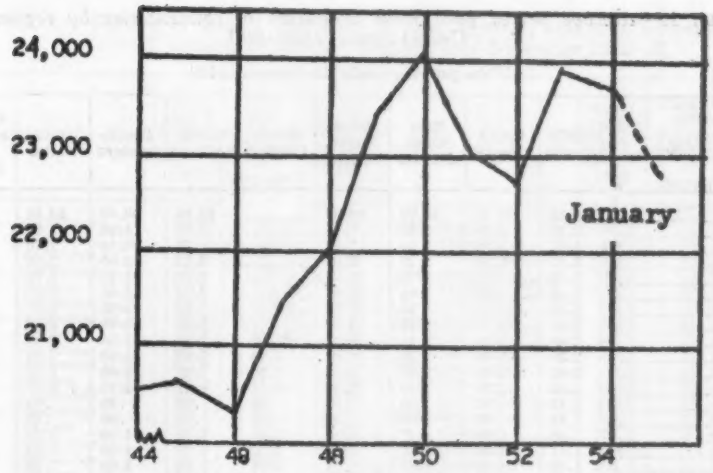


FIGURE 7.—Changes in number of milk producers on the Chicago market, 1944–54.

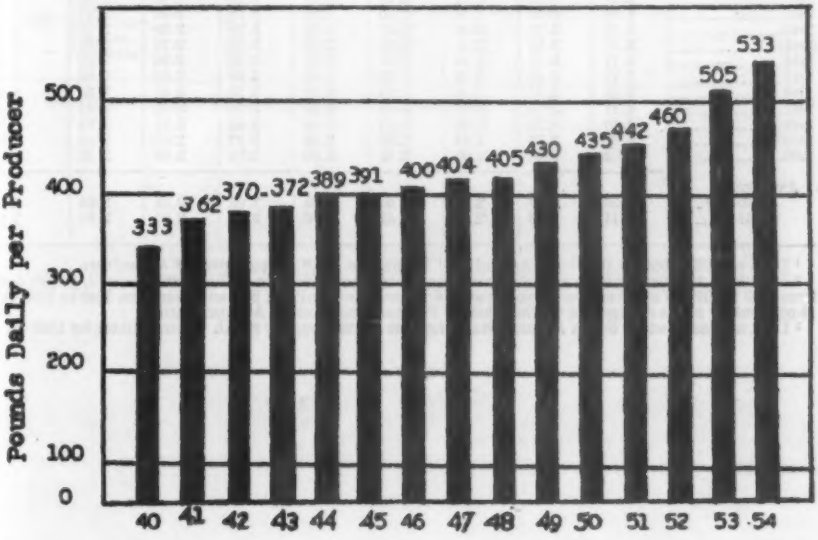


FIGURE 8.—Changes in average daily milk deliveries per producer, Chicago, 1940–54.

TABLE 1.—*Average prices paid milk producers at condenseries by regions and United States, 1920–50* [1]

[Price per 100 pounds of 3.5 percent milk]

Year	Middle Atlantic	South Atlantic	East North Central	West North Central	South Central	North-western	South-western	United States	Chicago condens-ery prices [2]
1920	$3.34	$3.07	$2.92	$2.80	----------	$2.68	$2.69	$3.01	$2.94
1921	2.20	2.17	1.87	1.86	----------	1.81	1.78	1.93	1.87
1922	1.97	1.93	1.69	1.68	----------	1.71	1.64	1.70	1.69
1923	2.59	2.60	2.20	2.09	----------	2.12	2.05	2.21	2.23
1924	2.08	----------	1.79	1.77	----------	1.76	1.76	1.83	1.79
1925	2.22	----------	1.98	1.87	----------	1.91	1.85	1.97	1.96
1926	2.30	----------	1.96	1.88	----------	1.86	1.85	1.97	1.96
1927	2.47	----------	2.12	2.01	----------	1.88	1.96	2.12	2.15
1928	2.34	2.31	2.15	2.05	$2.03	1.91	1.94	2.11	2.18
1929	2.30	2.09	2.08	1.94	1.94	1.92	1.92	2.04	2.04
1930	2.05	1.75	1.67	1.64	1.66	1.57	1.63	1.67	1.62
1931	1.45	1.21	1.19	1.16	1.17	1.11	1.16	1.18	1.20
1932	1.15	.91	.90	.88	.88	.84	.83	.89	.88
1933	1.18	.96	1.01	.93	.91	.89	.88	.98	1.00
1934	1.36	1.09	1.17	1.10	1.05	1.03	1.10	1.14	1.12
1935	1.51	1.30	1.36	1.29	1.22	1.27	1.38	1.35	1.30
1936	1.68	1.51	1.57	1.51	1.43	1.54	1.63	1.56	1.54
1937	1.68	1.60	1.57	1.53	1.43	1.50	1.66	1.57	1.57
1938	1.40	1.36	1.25	1.20	1.14	1.19	1.29	1.25	1.26
1939	1.41	1.33	1.24	1.19	1.14	1.20	1.28	1.25	1.20
1940	1.49	1.49	1.37	1.34	1.30	1.39	1.48	1.38	1.35
1941	1.94	1.82	1.84	1.70	1.62	1.78	1.82	1.81	1.85
1942	2.16	2.07	2.06	1.97	1.85	2.15	2.28	2.08	2.07
1943	2.73	2.60	2.61	2.50	2.43	2.55	2.78	2.61	2.53
1944	2.77	2.61	2.64	2.55	2.48	2.63	2.92	2.66	2.64
1945	2.75	2.53	2.59	2.53	2.43	2.68	2.92	2.63	2.60
1946	3.69	3.21	3.42	3.25	3.08	3.20	3.43	3.36	3.45
1947	4.11	3.29	3.49	3.34	3.19	3.24	3.50	3.46	3.49
1948	4.53	3.72	3.97	3.72	3.54	3.63	3.91	3.90	3.97
1949	3.30	2.73	2.81	2.70	2.62	2.82	2.97	2.81	2.86
1950	3.04	2.78	2.91	2.81	2.70	2.76	2.93	2.87	2.95
Averages:									
1920–50 [3]	2.30	2.08	2.05	1.96	1.88	1.95	2.04	2.04	2.04
1941–50	3.11	2.78	2.91	2.81	2.70	2.74	2.95	2.82	2.84

[1] Data compiled by the Bureau of Agricultural Economics, U. S. Department of Agriculture.

[2] Data from 1920 to 1924 from Illinois Agricultural Experiment Station Bulletin 269, table G, p. 538; data from 1925 to 1939; Wisconsin State Department of Agriculture, Bulletin 249; and data from 1940 to 1950, the 18 condensery prices as reported by the Chicago Federal Milk Market Administration.

[3] Data not included for South Atlantic States for 1924 to 1927, and for South Central States for 1920–27.

TABLE 2.—*Volume of class I and class II sales of milk, and milk deliveries in the Chicago market, September, October, and November 1940–54* [1]

	Total class I and class II sales	Total milk delivery (millions of pounds)	Percent that deliveries were of sales		Total class I and class II sales	Total milk delivery (millions of pounds)	Percent that deliveries were of sales
1940—September	138.6	154.3	111	1948—September	200.8	224.6	112
October	141.3	154.5	109	October	208.9	229.3	110
November	135.8	146.2	108	November	210.0	226.3	108
1941—September	137.2	169.9	124	1949—September	209.5	250.0	119
October	136.1	168.4	124	October	220.3	248.3	113
November	130.8	159.8	122	November	213.9	250.4	117
1942—September	157.4	165.7	105	1950—September	223.7	254.8	114
October	162.0	166.4	103	October	243.0	260.3	107
November	156.3	157.0	100	November	236.2	253.1	107
1943—September	158.0	168.8	107	1951—September	230.2	262.9	114
October	151.2	163.4	108	October	247.8	254.4	103
November	143.1	158.4	111	November	243.9	236.9	97
1944—September	153.7	174.8	114	1952—September	224.1	270.0	120
October	154.0	178.9	116	October	232.8	263.6	113
November	153.2	175.9	115	November	219.6	270.5	123
1945—September	196.3	208.1	106	1953—September	230.1	270.5	123
October	201.4	205.3	102	October	242.7	309.7	128
November	197.2	195.0	99	November	221.8	320.4	144
1946—September	199.7	206.6	103	1954—September	255.3	303.9	119
October	207.9	206.1	99	October	258.0	313.6	122
November	200.5	204.2	102	November	250.3	315.6	126
1947—September	215.3	218.7	102				
October	215.6	219.3	102				
November	202.2	203.6	101				

[1] Data from Chicago Federal Milk Market Administration.

TABLE 3.—*Trends in milk sales, milk deliveries, and supply-demand price adjustments in the Chicago milkshed, December 1951 to April 1955*

Year and month	Percent that class I and class II sales were of total deliveries	Normal	Points that actual sales exceeded or were below normal	Price adjustment
1951—December	72	71	1	0.03
1952—January	73	76	2	.06
February	84	81	3	.09
March	86	79	7	.21
April	86	76	10	.24
May	83	72	11	.22
June	78	68	10	.20
July	77	72	5	.15
August	77	72	5	.15
September	77	72	5	.15
October	77	72	5	.15
November	76	72	4	.12
December	76	72	4	.12
1953—January	75	72	3	.09
February	73	72	1	.03
March	72	72	0	0
April	70	72	−2	−.06
May	69	72	−3	−.05
June	68	72	−4	−.12
July	67	72	−5	−.15
August	66	72	−6	−.18
September	66	72	−6	−.18
October	66	72	−6	−.18
November	65	72	−7	−.21
December	65	72	−7	−.21
1954—January	64	72	−8	−.24
February	64	72	−3	−.24
March	62	72	−10	−.24 (−.30)
April	62	72	−10	−.24 (−.30)
May	62	72	−10	−.24 (−.30)
June	62	72	−10	−.24 (−.30)
July	61	72	−11	−.24 (−.33)
August	62	72	−10	−.24 (−.30)
September	62	72	−10	−.24 (−.30)
October	62	72	−10	−.24 (−.30)
November	63	72	−9	−.24 (−.27)
December	63	72	−9	−.24
1955—January	64	72	−8	−.24
February	64	72	−8	−.24
March	64	72	−8	−.24
April	65	72	−7	−.21
May	66	72	−6	−.18

Source: Chicago Federal Milk Market Administration.

Mr. BARTLETT. I would like to review briefly 2 or 3 of these charts.

First, on figure 1, which is the second page of exhibit No. 2, it shows condensery changes in their prices, in the farm prices, generally, 1920 to 1954. The essence of this chart is that the condensery prices of milk, manufactured milk, tend to change directly with changes in the general level of farm prices.

And taking the more immediate period, we find that the general level of farm prices fell between 1951–54; condensery prices went up to a high point, which was 1952, but then they fell along in 1952–54. The attempt of sustaining condensery prices in general and other farm prices, for butter, powder, and cheese at a high 1952 level, when the general level of farm prices was declining, would have continued to result in more and more milk.

Now, just taking briefly the condensery price, figure 4. Condensery prices in recent years have tended to be above butter prices, using 1935–39 as a base.

As I pointed out 2 years ago, the butter price, the demand for butter has fallen during the past 20 years, with people paying less money for butter than they would 20 years ago.

The cheese price, on figure 5, and the condensery price went very closely together. The cheese market has been expanding, per capita consumption of cheese has increased. And these condensery and cheese prices have kept very closely together.

Figure 6 shows the skim-milk prices as related to condensery prices. Here we have a good, clear-cut example of what happens when we keep prices at too high a level.

Skim-milk prices have not dropped correspondingly with condensery prices. One reason is that the Government has to purchase such huge quantities of skim milk so that the price is too high to be sold in the commercial market.

Figure 7 shows the changes in the number of milk producers in the Chicago market, 1944–54. This ties in directly with the change in the manufactured price.

In January 1955, there were 1,400 fewer producers on the Chicago market than in January 1954. The underlying reason why there were fewer producers in 1955 than in 1954 is shown in the blend price in figure No. 3.

Mr. HEIMBURGER. What happened with these 1,400 producers? Did they go out of business or were they simply selling their milk off the Chicago market?

Mr. BARTLETT. Will you hold that question? I want to give the reason, and then I will give the answer.

In Figure No. 3 there is shown the blend price, the average price paid the farmers through 1944–54 as compared with the condensery price in the Chicago market during that period.

The general average for the period, the blend price for grade A market milk in the 70-mile zone was 49 cents above the condensery price. That was from 1940–54.

In 1952 and 1953 the blend price averaged 74 cents above the condensery price.

During that period, under the Chicago Federal order the butter-powder price was frequently used as the basic formula price, and the 74 cents was paid above that.

From 1953 to 1954, primarily as a result of the decline in parity prices, and the decline in condensery prices, the 74 to 48, 26-cent decline in the blend price exceeded the condensery price.

There were 1,400 producers that went off the market, because they could make more money, Mr. Heimburger, in selling to some other market. The difference between 74 and 48 was the reason that they went off. They were on the marginal edge. When the price went down most of the producers are still in the dairy business—a few of them have gone off, I mean, just taking our Kane County situation, some have gone back to beef. I would say that the majority of them are still in the dairy business.

Mr. HEIMBURGER. That was the point I wanted to bring out.

Mr. BARTLETT. I wanted to tie it in with this as to the cause and the effect.

Going back to figure 8 we have a basic fact occurring in all markets in the United States. We have a big increase in the production per herd. It increased from 330 pounds daily to 533 pounds daily in 1954.

Those were the main points that I wanted to include under this discussion of this particular exhibit.

Has anyone any questions on this before I go to my next exhibit?

Mr. ABERNETHY. Are there any questions?

Mr. ANDRESEN. Could you fill in ahead of these tables a little better explanation than you have here?

Mr. BARTLETT. Mr. Andresen, on exhibit No. 2, most of these things that I summarized, without looking to my copy, are all summarized in these 11 points.

On the first page of exhibit 2 I have discussed this in quite a bit of detail. That will be included as a part of the exhibit.

Mr. ANDRESEN. Could you have the graphs following your explanation, so that we will have them altogether?

Mr. BARTLETT. What I would suggest, Mr. Andresen, would be that as this is put together, that the graphs be put immediately after each point. Would that answer your question?

Mr. ANDRESEN. I think that would be very helpful.

Mr. BARTLETT. That is what they did, sir, in this hearing in 1953. They did a very good job of putting the graphs together with the discussion.

Mr. ANDRESEN. You mentioned 1,400 producers going out of the milk-marketing area in Chicago and selling their milk some other place.

Mr. BARTLETT. Yes. I would say that the bulk of those were milk plants. The whole plant would go somewhere else. There were a certain proportion of individual producers. A plant usually is located on the marginal edge of the milkshed and would find that they could sell their milk. So they would pull out. And maybe 200 producers would pull out at one time.

Mr. ANDRESEN. Where did they sell the milk?

Mr. BARTLETT. Some of them would sell possibly to a condensery market. If they could make more money in the condensery market they would sell there.

Let us take specifically the price of 48 cents, the blend price. Out of that comes a 5-cent checkoff, so that the net blend is 43 cents. For each 15 miles that you go north into Wisconsin or northwest, you take off 2 cents. If you take 21 zones off of the 70 mile-zone in Chicago, the farmer would get just as much for condensery milk as he would for grade A milk.

He might find a market where he could get a nickel or a dime more. He would pull off the market.

Mr. ANDRESEN. That meant that less milk came into the Chicago market.

Mr. BARTLETT. That is right.

Mr. ANDRESEN. Or did it mean that because of the higher class 1 price and possibly the higher blend price that the producers within the area increased their production?

Mr. BARTLETT. That is one reason why I brought all of these charts along. Let us turn now to the production per dairy. There was no big increase in the production per dairy between 1953 and 1954. There was some increase. In figure 8, it was 533 pounds in 1954 and it was 505 in 1953.

Between 1952 and 1953, when we had the 90-percent parity, you had the biggest increase. That was 45 percent.

My own guess is that the increase in production per dairy probably was curbed by going from 90 percent down to 75 percent.

Forgetting the parity, the trend is going on everywhere. I expect in the Chicago market in 10 years it will be 700 to 750 pounds, regardless.

Mr. ANDRESEN. Are they increasing the cow population of that area?

Mr. BARTLETT. Not very much. It is mostly in production per cow. The cow population of the State of Illinois is going down and has been in the past 2 or 3 years.

Mr. ANDRESEN. Do you think that there is any limit to what they can increase the production per cow?

Mr. BARTLETT. I would say within reasonable limits. I would say that for Illinois we are ridiculously low on the State average. I checked the figures that John Mason gave me yesterday. I think the average for the State is 5,300 pounds. The average in Wisconsin, the last I recall, was about 6,600. That is the State average.

I would say that one of the basic things that we should be looking toward in the diary industry is increased efficiency and lower unit costs. With the larger production per dairy, with the bulk line, bulk tanks, and permanent pipelines, we get lower unit costs. That is one of the basic ways that we are going to keep the dairy industry going the next 50 years by lower unit production costs, on the one hand, and lower market costs on the other hand.

Mr. ANDRESEN. They increase the capital investment while lowering the cost.

Mr. BARTLETT. That is frequently true. You lower the unit cost frequently, having more capital.

Mr. ANDRESEN. Does not that have a tendency to create more commercial operations in the producing field, large dairy herds and more corporation dairy farmers going into the business?

Mr. BARTLETT. Of course, I would say generally, Mr. Andresen, we would have to take this general trend. In agriculture 150 years ago, 90 percent of the people were farmers. Today 13.2 percent are farmers.

The whole trend is toward larger volume per farm, a higher living standard per farmer. To me that makes sense.

Mr. ANDRESEN. I think it makes sense, but since I came to Congress—I do not want to mention the number of years for the record—the farm population has gone from 28 percent down to 13.2 percent, as you have indicated.

Do you think that is a good thing for the country?

Mr. BARTLETT. Yes; I do.

Mr. ANDRESEN. You do?

Mr. BARTLETT. The theory of having poverty-stricken farmers does not appeal to me. I would rather have fewer farmers have a higher living standard than to have too many farmers.

Mr. ANDRESEN. I was born in Illinois.

Mr. BARTLETT. Good.

Mr. ANDRESEN. In Calhoun County they got along very fine, had a good living standard. At harvest they would fill up their haymow and their corncrib and their granary, and their basement would be full of vegetables. Then they would thank God for their abundant supply on hand to keep them through the winter.

I used to go out to a Thanksgiving dinner in the little town that I lived in—my dad was a preacher, and he would offer thanks for the bountiful blessings. I thought that we did pretty well.

Mr. BARTLETT. Let us now turn to exhibit No. 3.

Mr. HEIMBURGER. Before we leave this one, do I take it from what you have said thus far that you consider it to be a desirable

situation that the price of milk to the producers in a fluid market area should follow rather closely the manufacturing milk price?

Mr. BARTLETT. That is right.

Mr. HEIMBURGER. Would you say that is true for all market areas or just for some?

Mr. BARTLETT. I say that is true for all market areas. I am just getting to the place where they are getting off base by divorcing class 1 prices from condensery prices or manufacturing prices.

Mr. HEIMBURGER. Would it not be a rather desirable situation if the price of fluid milk, in a strictly fluid milk market area, might be related rather to production costs than to general prices, so as to provide a supply of milk for the particular area at a fair price to the producer?

Mr. BARTLETT. You have asked 2 or 3 questions, Mr. Heimburger, in that.

In the first place, one of the first things that I had when I went to Illinois, is that the Chicago market was attempting to tie class 1 prices to the cost of production. I remember one of the first meetings that I went to in the Department of Agricultural Economics where we had a very strong management department and where they were working on this.

I said that the use of the constant production as a basis for pricing milk had no point particularly in marketing, because it utterly ignored the demand side of the market. It is only one side of your price equation.

So my reasoning is that we have to take both sides, supply and demand. And in that, may we turn back just a minute to table 3 of exhibit No. 2.

In the Chicago Federal order we have what we call a supply-demand adjustment. When the total class 1 and class 2 sales equal 72 percent of the total deliveries, we consider that the norm. If they fall below—if class 1 and class 2 fall below we have too much milk, we say. And if above, too little milk.

Here is the history of what has happened in that since the supply-demand formula went into effect.

In the early period 1952, a total of 24 cents was added to the class 1 and class 2 prices. For each point change you added 3 cents when it was too little.

During all of the period of 1953, beginning with April, they began to deduct because of the supply-demand adjustment.

During all of 1954 there was a 24-cent a hundred deduction.

I might say that this figure on the left, percent class 1 and class 2 sales of the total deliveries is based on the 12 months moving average. So it is a little slow in reacting, but what is happening is this:

In July 1933, there was 11.2 too much production or a reduction of 33 cents from the class 1 and class 2 price. Actually, they limited it to 24 cents.

Mr. ABERNETHY. What figure are you looking at?

Mr. BARTLETT. It is on table 3—the figures to the right. These amounts are price adjustments, what is added or subtracted.

Mr. HEIMBURGER. This is table 3?

Mr. BARTLETT. In exhibit No. 2.

Mr. HEIMBURGER. And not figure 3?

Mr. BARTLETT. No; table 3. This is the last page of exhibit No. 2.

Mr. ANDRESEN. You mean by the deduction a deduction that is made for the surplus milk?

Mr. BARTLETT. No. If the supply in relation to the demand is too high, they deduct. If it is too low, they add to it. And for all of 1954 they deducted. With the adjustment in the lower condensery price, the lower butter-powder price that we had following April of 1954, this thing is gradually working out itself, so that instead of 33 cents which would have been correct during the past two months, the reduction in April, 1955, was 21 cents.

The deduction in May was 18 cents. I expect by the close of 1955 that that deduction will be about nine cents. And in another year I expect there will bo no deduction.

In other words, with the reduction taking off the 1,400 producers, the extra producers that bave gone to some more profitable market, the total supply in relation to demand has decreased and the price to the farmers is increasing month by month.

I am getting back, Mr. Heimburger, to your question now of the cost of production. We have to take the two together and we are taking the total supply of 24,000 producers, and equating that against the total demand for class 1 and class 2 milk of 5,500,000 consumers.

Mr. ANDRESEN. I am interested in developing this, to find out what happened to these 1,400 farmers—that the milk authority said, "You cannot sell your milk in this authority."

Mr. BARTLETT. They did not say anything. If 50,000 farmers want to come on the Chicago market, they will let them. The individuals elect to stay on or go off, as they wish.

Mr. ANDRESEN. Does that apply to all milk?

Mr. BARTLETT. It always had to be grade A milk. If you get a grade A permit, they will inspect anybody who wants a grade A permit.

Mr. ANDRESEN. From any source whatsoever, inside or outside of the milkshed?

Mr. BARTLETT. That is right. There is one fact here—I think it is a good thing to bring it in right now—as you will recall, the Chicago market had a grand jury indictment in 1938. I happened to be an expert witness for the antitrust division in this particular case. In that case they indicted farmers, dealers, labor, on the board of health. They took a sweep right across the board. They were not partial to anybody. The farmers were indicted. The Pure Milk Association specifically was indicted for conspiracy and restraint of trade in holding down production.

They took that to the Supreme Court. The Supreme Court upheld the indictment and it ended up in a consent decree in 1940 in which each of these groups said that they had not been bad in the past but that they would be good in the future.

The essence of that is that the Pure Milk Association is under a consent decree in which it promises to create no barriers around the market.

The Federal order is also operating on that basis.

The increase and decrease is perfectly free, and no trade barriers whatsoever on that in the Chicago market.

Mr. ABERNETHY. That was before the milk marketing order was put into effect, however.

Mr. BARTLETT. The Pure Milk Association is still there. As far as I know that would be operative in either case, Mr. Abernethy.

Mr. ANDRESEN. Getting back to this milk Grade A milk that comes in from outside of that milkshed, are they assessed any compensatory payment?

Mr. BARTLETT. No.

Mr. ANDRESEN. Or any assessment, whatsoever?

Mr. BARTLETT. No.

Mr. ANDRESEN. If a farmer living outside of the milkshed, in Wisconsin, producing Grade A milk, has he the same opportunity to sell that milk in that market?

Mr. BARTLETT. That is right.

Mr. ANDRESEN. Just the same as goes in the milkshed?

Mr. BARTLETT. That is right. At the present time, I think, as I recall, about 60 percent of all the milk in the Chicago market comes from Wisconsin. There is no penalty for living in Wisconsin, so far as the Chicago market is concerned.

One reason I am discussing the Chicago market is because I am presently going to get on to some markets that are not free and open.

Mr. ANDRESEN. Those are the ones that I want to hear about.

Mr. LAIRD. I would like to ask a question about the procedure that is used on the Chicago market for adopting amendments to the market order in the Chicago market. I believe the same procedure is used in all Federal order markets.

Mr. BARTLETT. So far as I know. We have hearings. We are going to have an order hearing next Tuesday up there. They submitted the request for certain things.

Mr. LAIRD. If the amendments are placed before the farmers, and the amendments are rejected, what is the status of the order?

Mr. BARTLETT. That is a good question. If the amendments are rejected the whole order goes out.

Mr. LAIRD. Do you think that is a fair way to submit amendments to the farmers in that particular area?

Mr. BARTLETT. No, I do not. This had to do with the base surplus plan, when they put that into effect. The farmer groups voted that down, I mean, they did not get the 66⅔ percent necessary.

Mr. LAIRD. They were able to get it a few years later.

Mr. BARTLETT. Because they did not know that they were voting on the order. As soon as they found that out they got the 66⅔ percent.

I think it would be much wiser to vote on the amendments, to segregate the amendments, and that the order would continue as is unless amended.

Mr. LAIRD. I have asked the Department of Agriculture to change that procedure. Do you know why they will not change it?

Mr. BARTLETT. I do not know; no. I do not know.

Mr. LAIRD. That change could be made by action of the Department, could it not?

Mr. BARTLETT. I do not know the answer to that, sir. Let me see, they gave some reasons. They look to me rather flimsy reasons, but I do not recall.

Mr. LAIRD. That puts the farmer at a great disadvantage in casting his ballot, when you tell the farmer that, "If you do not vote for these amendments, this Federal order will be completely discarded and will not be in effect." So it puts a whip over the farmer and he almost has to vote for the amendments, whether he likes them, or does not like them.

Mr. BARTLETT. That is right.

Mr. LAIRD. I have never seen that type of procedure used in America before.

Mr. BARTLETT. I agree with you. I think that the amendments should stand on their own bottom and be voted in or out without affecting the main course of the Federal order.

Mr. LAIRD. Thank you very much.

Mr. BARTLETT. Now, Mr. Andresen, let us turn to exhibit No. 4. Maybe we will get into something that you are interested in.

(Exhibit No. 4 is as follows:)

EXHIBIT IV

AMOUNT WHICH THE CLASS I PRICES IN SPECIFIC MARKETS EXCEEDED THE AVERAGE CLASS I PRICE IN CHICAGO AND MINNEAPOLIS-ST. PAUL, 1929 TO 1954

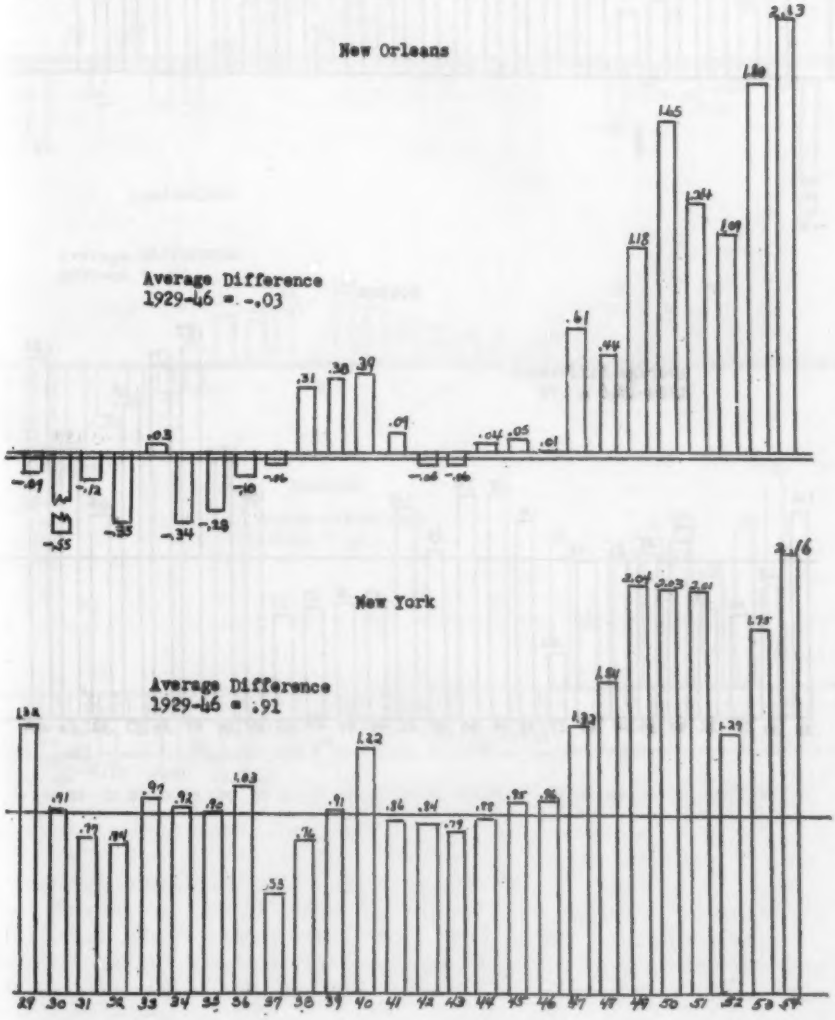
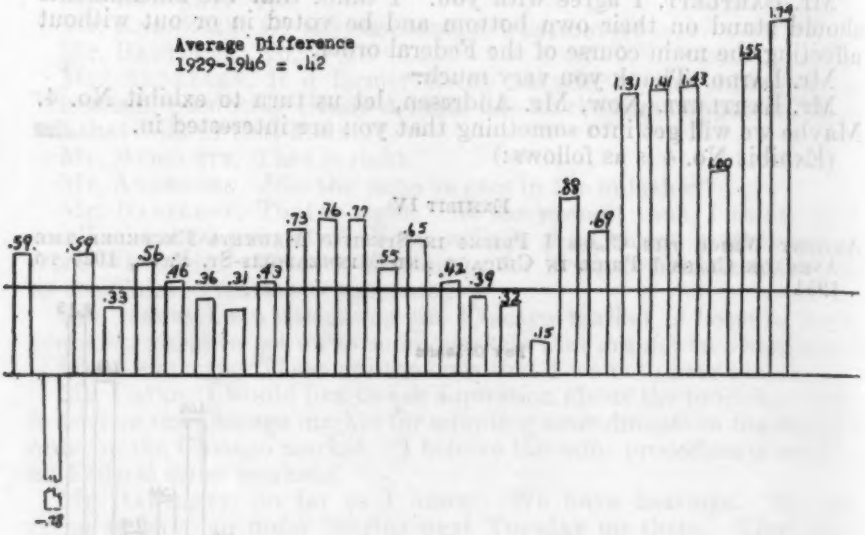


EXHIBIT IV—Continued

Philadelphia



Boston

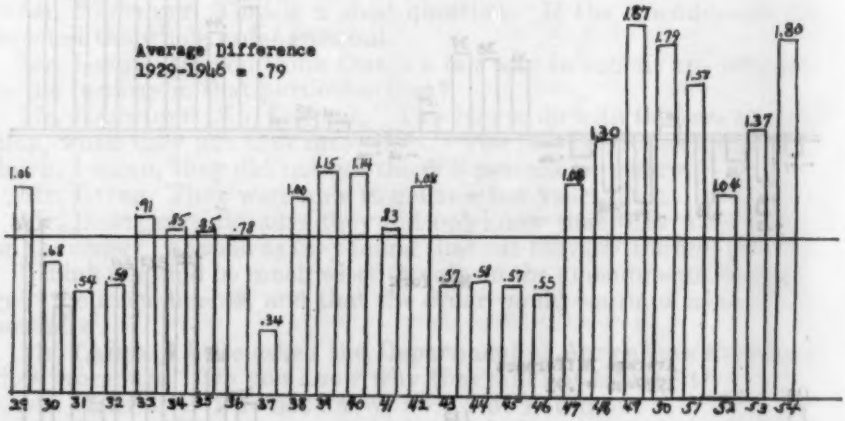


EXHIBIT IV—Continued

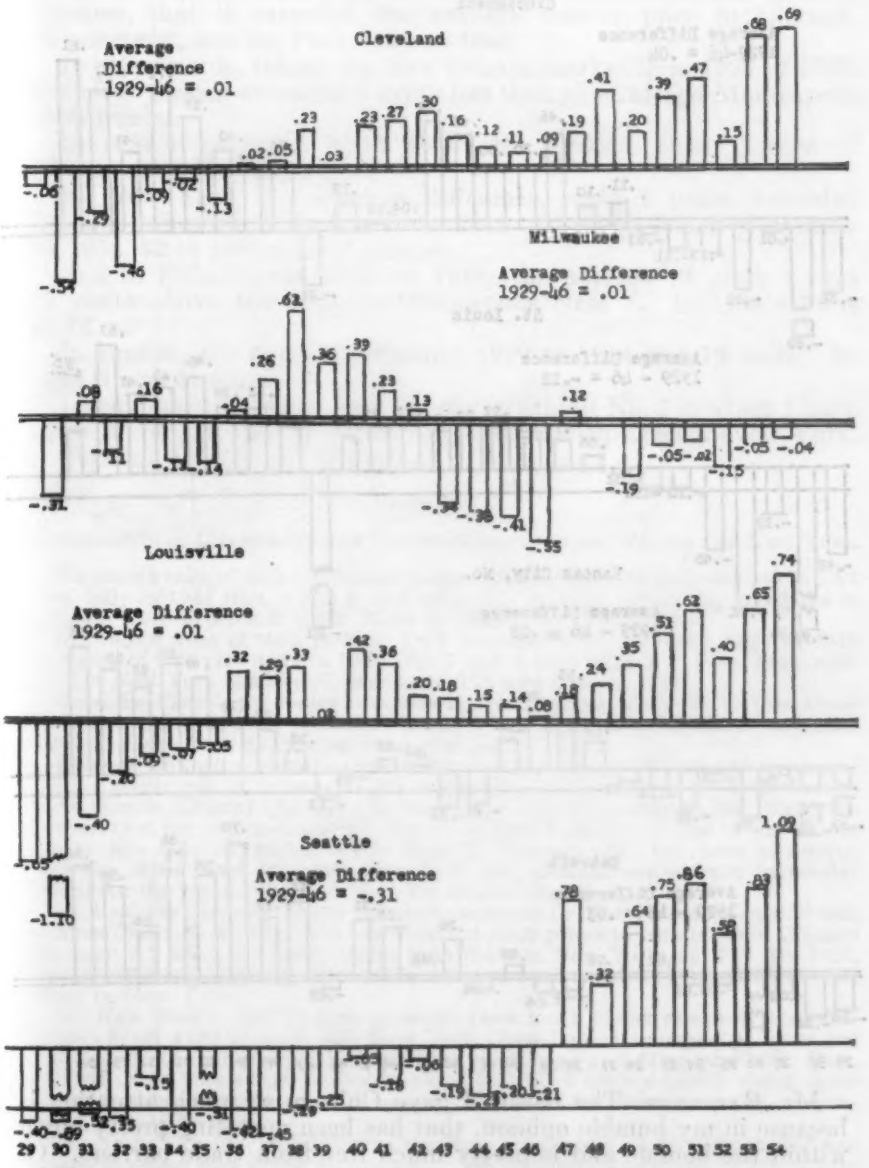
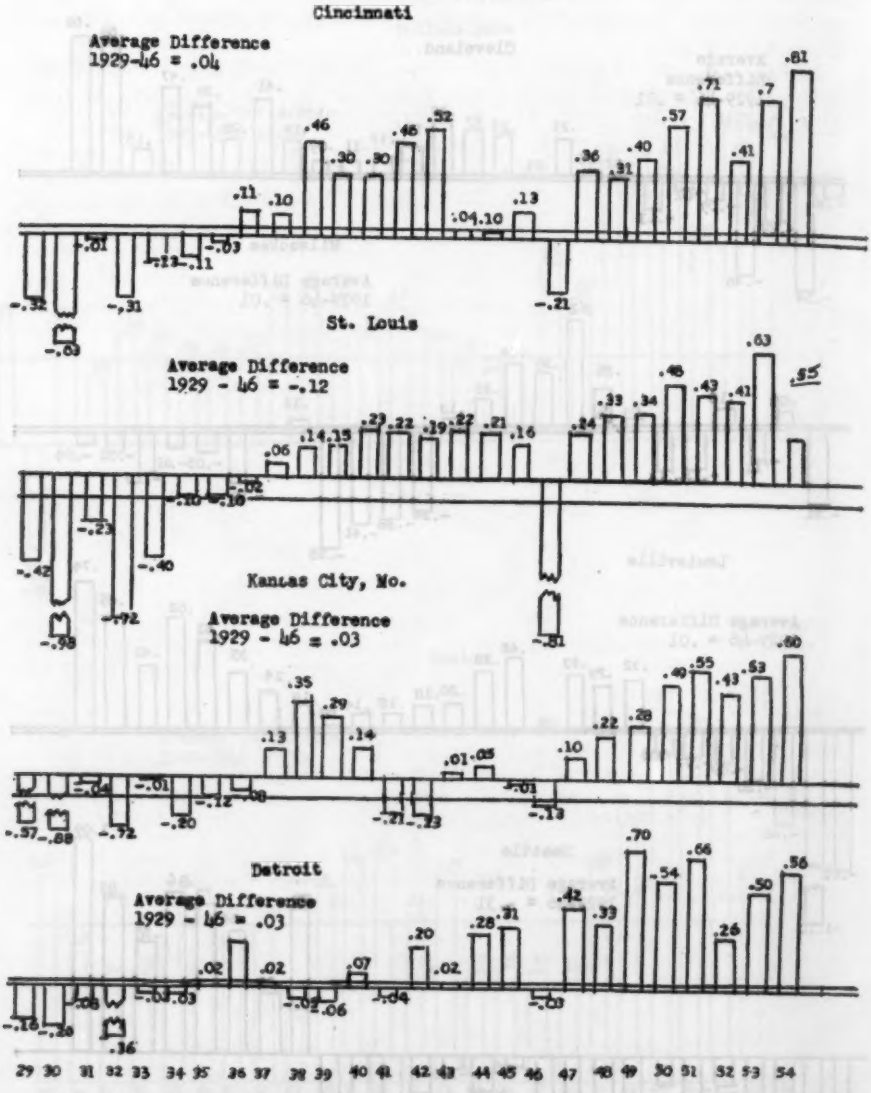

Cleveland
Average Difference 1929-46 = .01
Milwaukee
Average Difference 1929-46 = .01
Louisville
Average Difference 1929-46 = .01
Seattle
Average Difference 1929-46 = -.31
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54

EXHIBIT IV—Continued


Cincinnati
Average Difference
1929-46 = .04
St. Louis
Average Difference
1929 - 46 = -.12
Kansas City, Mo.
Average Difference
1929 - 46 = .03
Detroit
Average Difference
1929 - 46 = .03
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54

Mr. BARTLETT. The reason I gave Chicago so much attention is because in my humble opinion, that has been operating pretty much within the bounds and is pretty much free from trade barriers. Of course, in one way it may be it is tied to the fact that they would be called before the court if they did not keep within it. Whatever the cause is, they have added to producers and have subtracted them on their own volition and there is no restriction, so far as I know, about permitting grade A producers on the market.

Referring to exhibit No. 3, this exhibit shows the Federal order markets. I believe there are 12 Federal order markets shown here which has a population of 300,000 or over. I took the larger ones.

Then, we compare the class 1 prices in each of these Federal order markets for each year 1929 to 1954, and the charts show here the

amount that each class 1 had in the way of prices in each of these markets, that it exceeded the average class 1 price in Chicago, Minneapolis, and St. Paul, 1929 to 1954.

In other words, taking the New Orleans market from 1929 to 1946. the class 1 price averaged 3 cents less than the Chicago-Minneapolis class 1 price.

In 1954 it averaged $2.13 above the average class 1 price of Chicago and Minneapolis.

In New York the average difference, class 1 price, exceeded Chicago-Minneapolis from 1929 to 1946, 91 cents a hundred pounds. In 1954, $2.16 per hundred pounds.

And in Philadelphia, 1929 to 1946, the average of class 1 was 42 cents above the Chicago-Minneapolis class 1. In 1954 it was $1.74.

In Boston, the average difference 1929 to 1946 was 79 cents. In 1954 it was $1.80.

I would like to go from here directly to exhibit No. 5 in which I have made a comparison, using this information with Chicago-New York.

(Exhibit No. 5 is as follows:)

EXHIBIT V

COMPARISON OF CHANGES IN PER CAPITA MILK SALES IN CHICAGO AND NEW YORK

Per capita sales of milk in Chicago increased from 0.61 pint daily in 1940 to 0.82 pint daily in 1954 (figs. 1 and 2, and table 1). In 1954, per capita milk sales in Chicago were 6 percent above those in 1945.

Per capita sales of milk in New York increased from 0.75 pint daily in 1940 to a high of 0.92 pint daily in 1945 (fig. 1 and 3, and table 2). Since 1945, milk sales in New York declined 17 percent fo 0.76 pint daily in 1954.

Since New York's per capita milk sales in 1940 were materially higher than those in Chicago, and in 1954 somewhat lower, a logical question is: What have been the underlying reasons causing these changes?

Some of the factors causing these differences may be summarized as follows:

1. *A slower rate of increase in per capita disposable income since 1945 in New York than in Chicago (fig. 4).*[1]—In fact, since the depression of the 1930's the percent that per capita disposable income in New York was of that of the United States has been declining, while that in Chicago, Ill., has been increasing (fig. 5). This trend for both New York and Chicago corresponds to similar trends for the regions in which they are located (fig. 6).

2. *A relative increase in store prices to consumers in New York as compared with those in Chicago.*—In 1925, the lowest report store prices to consumers in Chicago averaged 3.9 cents per quart higher than those in New York (fig. 7). By 1954, the lowest reported store prices in Chicago averaged 3.0 cents per quart less than those in New York.

(*a*) New York's class I prices in recent years much higher relatively than formerly: From 1929 to 1946, the New York Class I price averaged 91 cents per 100 pounds (2 cents a quart) above that of Chicago and Minneapolis-St. Paul. In 1954, New York's class I price averaged $2.16 (4.6 cents a quart) above those of the 2 midwest markets. This was an increase of 2.6 cents per quart, as compared with 1929–1946.

(*b*) New York has prohibited gallon jugs: 30 percent of all milk in Chicago is sold in gallon jugs at the present time. In 1950 only 13 percent of the milk in Chicago was sold in gallon lots; in 1954, 30 percent. Keen competition in Chicago in recent years has kept gallon prices lower than those for milk sold in quarts or half gallons.

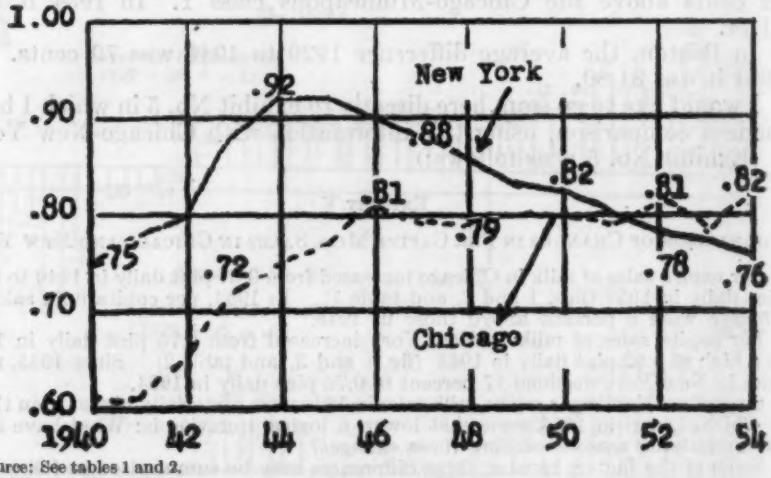
(*c*) Half-gallon paper containers helped to increase milk sales in Chicago—New York's use of half-gallon paper containers is negligible: The half-gallon paper container was introduced into the Chicago market in the summer of 1949.

[1] An analysis of milk sales in the Chicago market between 1940 and 1952 indicated that average retail milk prices (adjusted) and per capita disposable income (adjusted) were the major factors affecting sales. The coefficient of multiple correlation for this period with per capita sales lagged 1 year as the dependent variable, and milk prices (adjusted) and disposable incomes (adjusted) as the independent variables, was 0.989. The standard error of estimate was 0.003.

In 1948, 21 percent of Chicago's milk was sold in half-gallon glass containers. By 1954, 37 percent of all milk in Chicago was distributed in half gallons, paper or glass. Convenience and price were both factors in the increased use of half gallons.

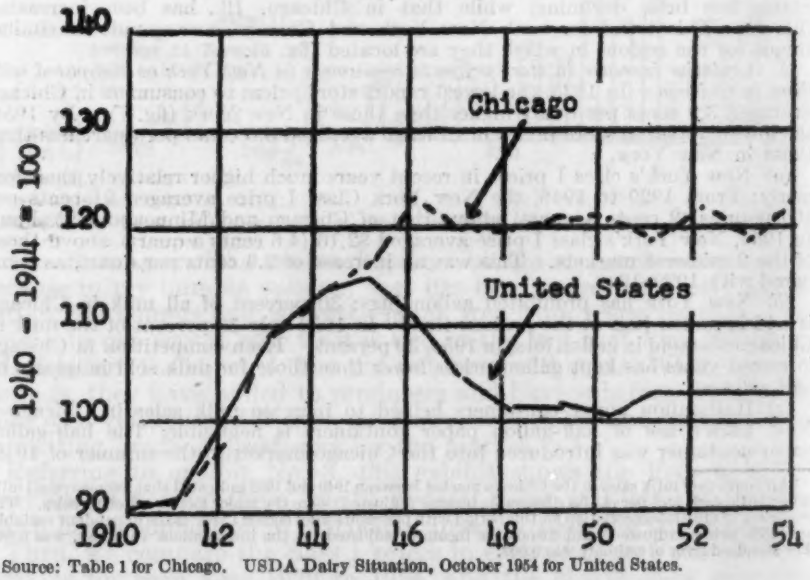
(*d*) New products: Modified skim milk, skim milk, buttermilk, and flavored milk drinks—Increase in sales in Chicago much greater than in New York: Sales of milk products using grade A class I milk in Chicago in 1954 averaged 0.044 half pint daily per person or 5 times the sales of these products in 1940 (table 1). In 1949, Chicago sales of milk products averaged 0.031 half pints daily or over 5 times the reported sales of these products in the New York market (0.006 half pint). A 2-percent skim milk fortified with extra vitamins and increased amounts of nonfat solids has found public favor in Chicago, particularly with those concerned with overweight.

FIGURE 1.—CHANGES IN PER CAPITA SALES OF MILK



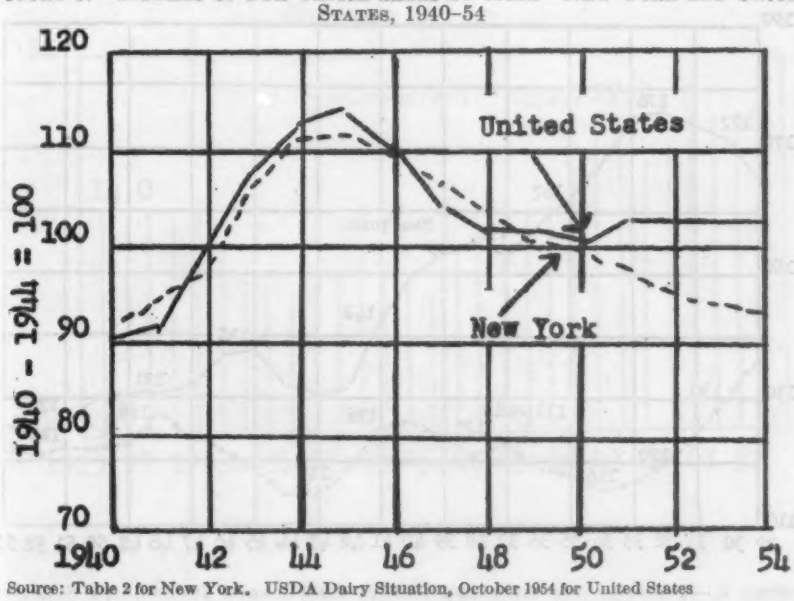
Source: See tables 1 and 2.

FIGURE 2.—INDEXES OF PER CAPITA SALES OF MILK—CHICAGO AND UNITED STATES, 1940–54



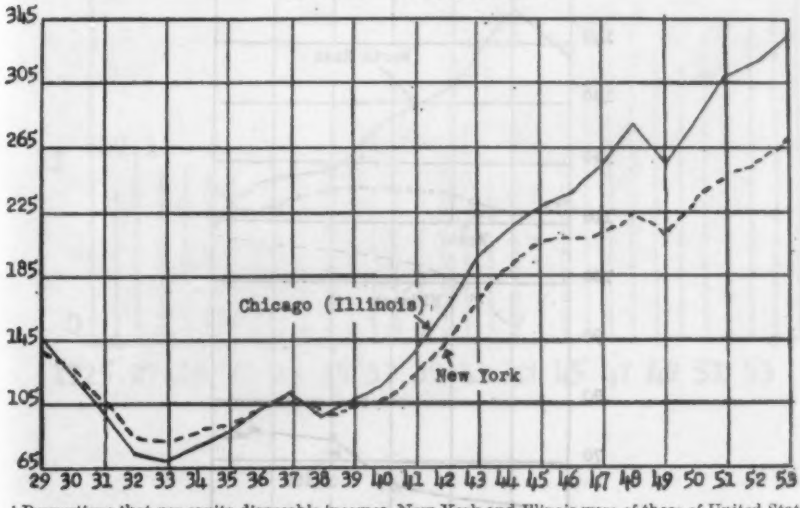
Source: Table 1 for Chicago. USDA Dairy Situation, October 1954 for United States.

FIGURE 3.—INDEXES OF PER CAPITA SALES OF MILK—NEW YORK AND UNITED STATES, 1940–54



Source: Table 2 for New York. USDA Dairy Situation, October 1954 for United States

FIGURE 4.—INDEXES OF CHANGES IN PER CAPITA DISPOSABLE INCOME, CHICAGO AND NEW YORK, 1929–54.[1]



[1] Proportions that per capita disposable incomes, New York and Illinois were of those of United States, 1929–54.

FIGURE 5.

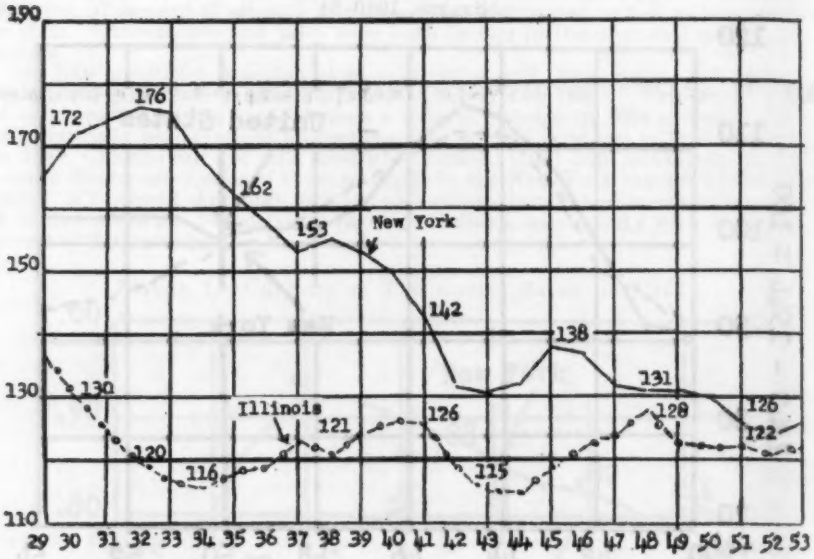
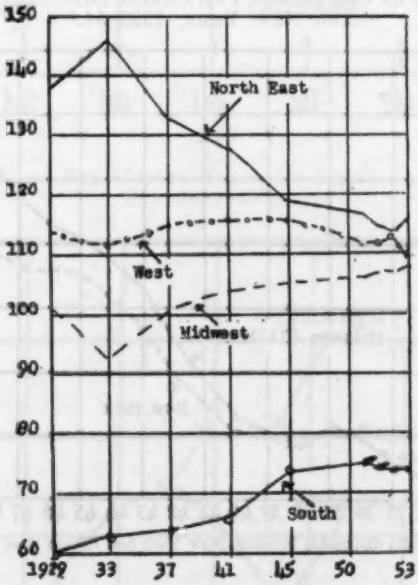


FIGURE 6.—PROPORTIONS THAT PER CAPITA DISPOSABLE INCOMES IN SPECIFIC REGIONS WERE OF THOSE IN THE UNITED STATES, 1929–53.



Data from U. S. Department of Commerce, Survey of Current Business, August 1951 and later issues.

FIGURE 7.—LOWEST REPORTED STORE PRICES, CHICAGO AND NEW YORK, 1925–54.

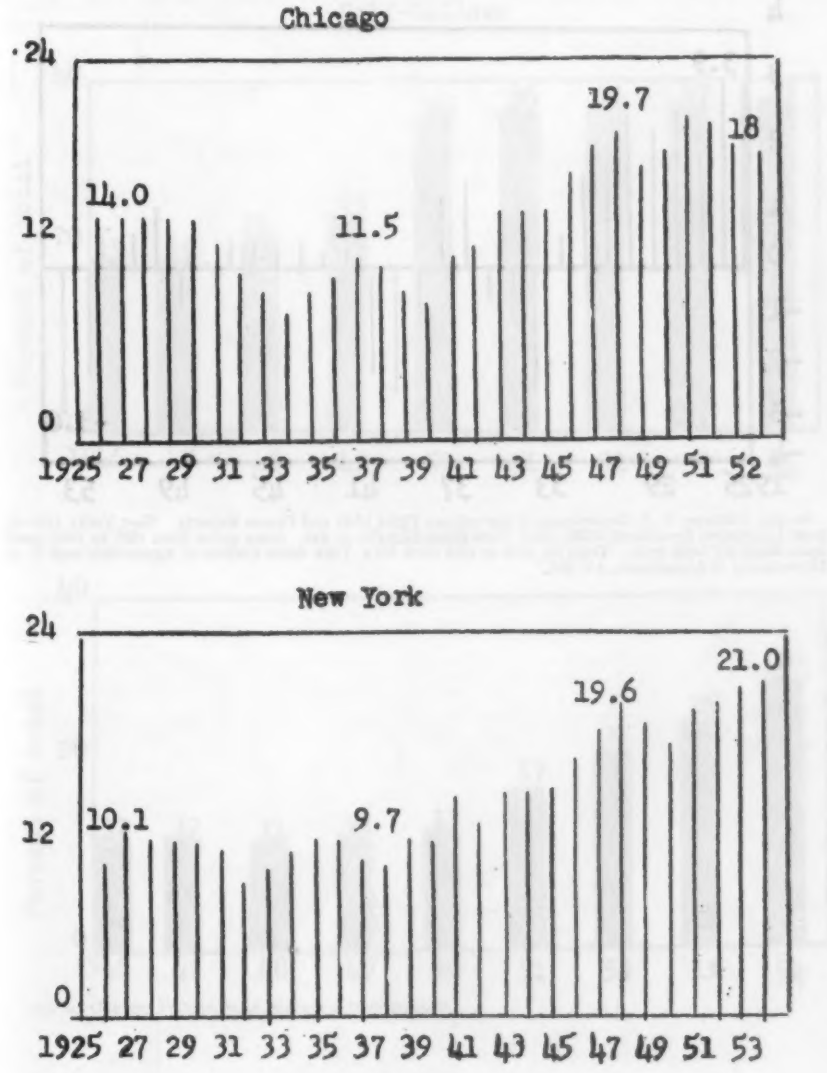
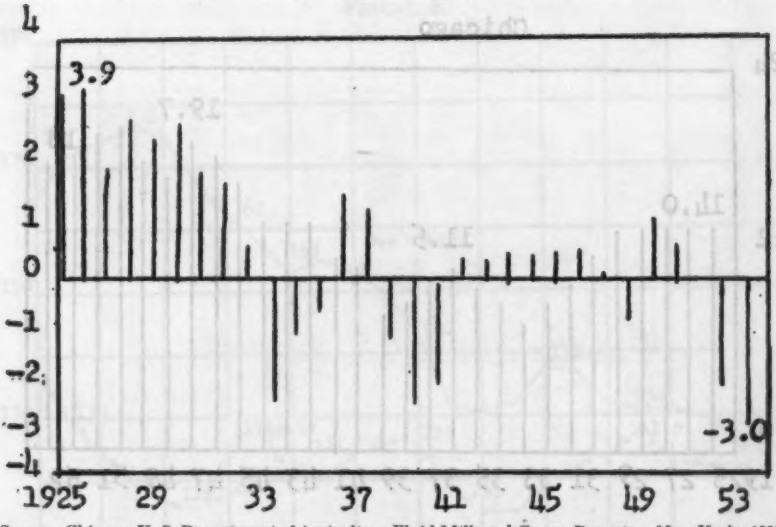
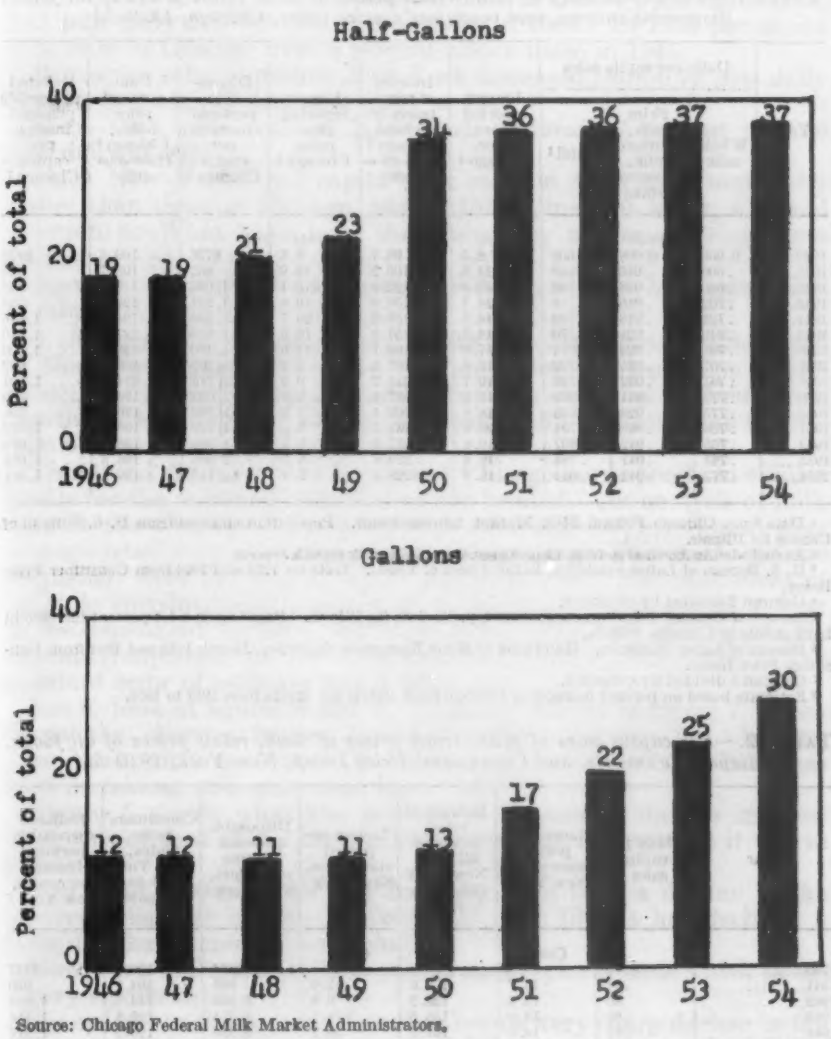


FIGURE 8.



Source: Chicago: U. S. Department of Agriculture Fluid Milk and Cream Reports. New York: 1925-32, from Legislative Document (1933) New York State No. 114, p. 248. Store prices from 1925 to 1932 based upon those for bulk milk. Data for 1933 to 1938 from New York State College of Agriculture and U. S. Department of Agriculture, AE-237.

FIGURE 9.



Source: Chicago Federal Milk Market Administrators.

TABLE 1.—*Per capita sales of milk, retail prices of milk, retail prices of all foods, disposable income, and consumer's price index, Chicago, 1940–54*

Year	Daily per capita sales			Lowest reported store price, Chicago [2]	Indexes of retail prices of all food, Chicago [3] (1935–39 = 100)	Lowest reported store price, Chicago [4]	Disposable personal income per capita Chicago [5]	Consumers' price index, Chicago [6] (1935–39=100)	Deflated disposable personal income per capita, Chicago [7]
	Whole milk	Skim milk, buttermilk, flavored drinks	Total [1]						
	Pints			*Cents*		*Cents*			
1940	0.600	0.008	0.608	8.5	96.7	8.8	$726	100.6	$722
1941	.600	.010	.610	11.6	106.2	10.9	862	105.7	816
1942	.636	.013	.649	12.4	122.9	10.1	1,026	116.3	882
1943	.702	.016	.718	14.4	136.0	10.6	1,221	122.8	994
1944	.731	.018	.749	14.5	135.0	10.7	1,335	124.7	1,070
1945	.749	.021	.770	14.5	137.8	10.5	1,425	127.3	1,119
1946	.791	.023	.814	17.0	160.1	10.6	1,480	138.4	1,069
1947	.767	.025	.792	18.6	197.5	9.4	1,595	160.8	992
1948	.761	.032	.793	19.7	215.2	9.2	1,751	174.9	1,001
1949	.771	.031	.802	17.3	207.4	8.3	1,622	174.5	930
1950	.775	.028	.803	18.4	209.4	8.8	1,760	176.7	996
1951	.758	.033	.791	20.0	233.3	8.6	1,929	190.6	1,012
1952	.765	.042	.807	19.6	237.0	8.3	1,988	195.0	1,019
1953	.743	.041	.784	18.4	229.8	8.0	2,088	196.3	1,064
1954	.772	.044	.044	18.0	228.6	7.9	[8] 2,115	199.4	1,061

[1] Data from Chicago Federal Milk Market Administrator. Population changes from U. S. Bureau of Census for Illinois.
[2] As included in U. S. Department of Agriculture fluid-milk reports.
[3] U. S. Bureau of Labor Statistics, Retail Prices of Foods. Data for 1953 and 1954 from Consumer Price Index.
[4] Column 2 divided by column 3.
[5] Survey of Current Business, August 1954, p. 15, data for Illinois. Based upon a 1.3 percent increase in bank debits in Chicago, 1953–54.
[6] Bureau of Labor Statistics. Handbook of Basic Economics Statistics, March 1953 and 1954 from Consumer Price Index.
[7] Column 5 divided by column 6.
[8] Estimate based on percent increase in Chicago bank debits per capita from 1951 to 1954.

TABLE 2.—*Per capita sales of milk, retail prices of milk, retail prices of all foods, disposable income, and Consumers' Price Index, New York, 1940–54*

Year	Daily per capita sales [1]	Lowest reported store price, New York [2]	Indexes of retail prices of all food, New York (1935–39=100) [3]	Lowest reported store price, New York [4]	Disposable personal income per capita, New York [5]	Consumers' price index, New York (1935–39=100) [6]	Deflated disposable personal income per capita, New York [7]
		Cents		*Cents*			
1940	0.75	11.0			$854	100.8	$857
1941	.78	13.7	106.0	12.9	995	104.7	950
1942	.80	12.0	122.2	9.8	1,168	114.7	1,018
1943	.88	14.0	138.5	10.1	1,374	123.1	1,116
1944	.92	14.0	137.2	10.2	1,536	126.2	1,217
1945	.92	14.0	140.1	10.0	1,644	129.1	1,273
1946	.90	16.4	162.3	10.1	1,685	141.7	1,189
1947	.88	18.0	193.1	9.3	1,720	158.6	1,084
1948	.85	19.6	210.5	9.3	1,796	169.4	1,060
1949	.83	18.1	202.7	8.9	1,724	166.9	1,033
1950	.82	17.1	204.7	8.4	1,875	168.9	1,110
1951	.80	19.8	226.3	8.5	2,003	181.4	1,104
1952	.78	19.6	229.7	8.5	2,062	185.4	1,112
1953	.77	20.5	225.1	9.1	2,158	185.0	1,166
1954	.76	21.0	225.1	9.3	[8] 2,266	186.1	1,216

[1] Data for 1940–51 as prepared by Leland Spencer, department of agricultural economics, New York State College of Agriculture. Data for 1954 as reported by Herrel Degraff, in Barriers to Increased Consumption of Fluid Milk, by National Grange, January 1955, p. 17, footnote 1. Data for 1952 and 1953 interpolated.
[2] Data from U. S. Department of Agriculture fluid-milk and cream reports.
[3] U. S. Bureau of Labor Statistics, Retail Prices of Foods. Data for 1951 from statistical abstract. Data for 1953 and 1954 from Consumer Price Index.
[4] Column 2 divided by column 3.
[5] Survey of Current Business, August 1954, p. 15, data for New York.
[6] Bureau of Labor Statistics. Handbook of Basic Economic Statistics, January 1955.
[7] Column 5 divided by column 6.
[8] Preliminary estimate.

Mr. BARTLETT. Per capita sales of milk in Chicago increased from 0.61 pint daily in 1940 to 0.82 pint daily in 1954. In 1954 per capita milk sales in Chicago were 6 percent above those in 1945.

Per capita sales of milk in New York increased from 0.75 pint daily in 1940 to a high of 0.92 pint daily in 1945.

Since 1945, milk sales in New York declined 17 percent to 0.76 pint daily in 1954.

Since New York's per capita milk sales in 1940 were materially higher than those in Chicago, and in 1954 somewhat lower, a logical question is: What have been the underlying reasons causing these changes?

Some of the factors causing these differences may be summarized as follows:

A slower rate of increase in per capita disposable income since 1945 in New York than in Chicago. In fact, since the depression of the 1930's, the percent that per capita disposable income in New York was that of the United States has been declining while that in Chicago has been increasing.

This trend for both New York and Chicago corresponds to similar trends for the regions in which they are located. An analysis of milk sales in the Chicago market between 1940 and 1952 indicated that average retail milk prices (adjusted) and per capita disposable income (adjusted) were the major factors affecting sales. The coefficient of multiple correlation this period with per capita sales lagged 1 year as the dependent variable, and milk prices (adjusted) and disposable incomes (adjusted) as the independent variables, was 0.989. The standard error of estimate was 0.003.

Let us look at figures 5 and 6. First, we will go to figure 4, which shows the changes in per capita disposable income for Chicago-New York, 1929 to 1953. Of course, it shows that New York has been increasing at a somewhat lower rate.

Figure 5 shows what the percent of disposable income in New York was of that of the United States and also shows what it was in Illinois.

The main fact in figure 5 is that there has been a decline in the relative consumer income in New York, and Illinois has declined a little, but has increased somewhat.

Now, turn to Figure 6. This puts it on a regional basis which to me is very significant.

From 1933 to the present there has been a very sharp decline in the per capita consumer income of the Northeast as compared with the United States. In 1933 it was about 149. That was 45 percent above the level of the United States.

In 1954 it was about 16 percent.

I do not know the cause for this decline, but this is something that is very serious from my point of view, if I were living in that region. It may be due to industrial senility, I do not know. There is a decline, which if continued another 25 years in the same direction, would mean that we would have New York and the Northeast under the United States average.

In the West it has remained relatively constant, slightly above the United States average.

The Midwest has been raising.

Of course, the most noted change has been in the South. The South was only 60 percent of the national average in 1929. It is up to about 74 percent in 1954 or in 1953.

Getting back to the cause and effect relationships, I think that one basic factor in the decline of milk consumption in New York has been the decline in consumer income relative to other areas.

Mr. ANDRESEN. Underlying the reasons for that decline in consumer income in New York is what?

Mr. BARTLETT. I have not had enough time to get to the basic factors.

Of course, in the earlier days, the Northeast and New York were the basic sources on certain industries. We will say the textile industry. The textile industry was centered in New England. And the manufacturing of textiles was in the States of New York and Pennsylvania. The textile industry has moved to the South. That is one of the reasons why we have the growth of consumer income in the South. It has moved to the West. I know that when I am in Los Angeles I am surprised at the large number of manufacturers of ladies' garments on the west coast.

Taking the shift from textiles from New England to the South, I think, usually if you ask the textile manufacturer he will say that it is because of high labor and high taxes. I do not know. I would just like to go on record as saying that those are the basic things.

To me, what we are getting in the Northeast is somewhat similar to what we have had in England. England has become a second-rate nation industrially. They have had too many monopolies, too many regulations, too little improvement in technology.

One of the basic troubles in New York, specifically, getting down to the milk business as compared with Chicago, is their failure to introduce technological improvements.

Let us turn to No. 2 under exhibit 4. I am listing the factors causing the differences in per capita sales.

A relative increase in store prices to consumers in New York as compared with those in Chicago. In 1925, the lowest reported store prices to consumers in Chicago averaged 3.9 cents per quart higher than those in New York. They were nearly 4 cents a quart above the lowest prices in New York. By 1954, the lowest reported store prices in Chicago averaged 3 cents per quart less than those in New York.

This is where I am tying in some of the factors that may be the cause.

New York's class I prices in recent years much higher relatively than formerly. From 1929 to 1946, the New York class I price averaged 91 cents per 100 pounds (2 cents a quart) above that of Chicago and Minneapolis-St. Paul.

In the viewpoint of economics we would concede that naturally New York prices should be higher than the Midwest. They have to import the feed. There is a relative lack of surpluses as compared with the Midwest. And this 2 cents a quart, I would say, would probably represent a logical difference in the cost of production as related to the market demand.

Mr. ANDRESEN. The changing of the support price on dairy products did not have anything to do with that in New York.

Mr. BARTLETT. May I finish this, Mr. Andresen, and then I will come back to your question.

In 1954, New York's class I price averaged $2.16 (4.6 cents a quart) above those of the 2 Midwest markets. This was an increase of 2.6 cents per quart, as compared with 1929–46.

New York has prohibited gallon jugs. Thirty percent of all milk in Chicago is sold in gallon jugs at the present time. In 1950 only 13 percent of the milk in Chicago was sold in gallon lots; in 1954, 30 percent. Keen competition in Chicago in recent years has kept the gallon prices lower than those for milk sold in quarts or half gallons.

Now taking your question, Mr. Andresen, in regard to the parity price of 90 percent as to 75 percent of parity. Let us turn now to exhibit No. 3 and see where the New York class I prices are.

It is true one of the basic reasons why the retail price—the lowest reported retail price in New York—is high at the present time is because of the Federal order price not going down in line with condensery prices.

Let me take one other exhibit so that we can put these factors together. Turn to exhibit 4, figures 7 and 8.

The upper part of figure 7 shows the lowest reported store prices in Chicago by years 1925–54. It shows the lowest reported prices in New York.

Figure 8 is Chicago minus the New York prices. In other words, 1925, the Chicago price was 3.9 cents a quart above New York. In 1954 the New York price was 3 cents a quart higher, the lowest reported store price, than Chicago.

One of the factors in this, in my humble opinion, is the failure of New York to adjust its prices, its class I prices, downward in line with the 75 percent parity, if you wish, Mr. Andresen, which Chicago has been adjusted to.

Mr. ANDRESEN. Well, now, the Secretary of Agriculture just fixed the price support, or fixed the minimum price on class I–A milk, in New York for the next 5 months at $4.75 a hundred.

Mr. BARTLETT. That is right.

Mr. ANDRESEN. And he also fixed the price in Connecticut, or, rather the State did, at $6.40 for a hundred.

Mr. BARTLETT. That is right.

Mr. ANDRESEN. And the dairy farmers in New York, as I read the information that has come to me, thought that they ought to have $6 a hundred for class I milk.

Mr. BARTLETT. May I at this time submit exhibit No. 5, which has a specific bearing on this question that we are talking about? I will read this, because this ties in specific facts which I am discussing of the relation of Federal order prices.

As an approach to the basic question, one may logically raise questions for specific markets such as New York:

1. To what extent, if any, can the decline (17 percent) in per capita sales of milk in New York between 1945 and 1954 be attributed to a high class I price and to what extent to other factors?

2. How much has the New York class I price exceeded the average class I prices in Chicago and Minneapolis-St. Paul?

Between 1929 and 1946, the New York class I price average 3.52 per 100 pounds of 3.5 percent milk, or 0.91 (2.0 cents per quart)

above the average class I prices in Chicago and Minneapolis-St Paul. Between 1947 and 1953, the difference averaged 1.66 per 100 pounds (3.6 cents per quart). In 1954, the New York class I price averaged $5.86, or $2.16 (4.6 cents per quart) above the Federal order class I prices in Chicago and Minneapolis-St. Paul.

3. How much surplus milk is necessary to insure an adequate supply of market milk and cream for the New York market? The volume of class III (manufactured milk) under the New York Federal order has changed as follows:

	Pounds	Percent of total production	Prices per 100 pounds	
			New York class III	Midwest condensery
1951	2,667,306,632	38.63	3.300	3.618
1952	2,847,882,963	40.01	3.624	3.779
1953	3,278,637,983	43.41	3.207	3.239
1954	3,483,234,955	44.86	2.883	2.997

Careful analysis of questions such as these would assist in answering the basic question as to whether or not Federal milk orders have exacted class I prices that are higher than are necessary to supply the needs of the market adequately.

In 1954, 45 quarts out of every 100 quarts in the New York market, were manufactured into manufactured dairy products.

Mr. ANDRESEN. Will you state that again?

Mr. BARTLETT. In 1954, 3,483,234,955 pounds of milk in New York under the New York order were manufactured, or about 45 quarts out of every 100 quarts produced, and for this milk the class III price averaged $2.883 per hundred pounds, which was about 12 cents less than the Chicago condensery price. The Chicago condensery price was practically $3.

The question I am raising—and I have not had the time to make the analysis of this that I would like to—how much milk is necessary for an adequate supply? Is 45 quarts out of every 100 quarts necessary to sustain an adequate supply of milk? In my opinion, the Federal order in New York constitutes a legalized monopoly which is definitely against public interest.

One of the basic reasons for the decline in per capita sales is because the blend price paid has gotten more milk than is necessary for the adequate supply referred to under the Agricultural Marketing Act of 1937.

Mr. ANDRESEN. What they should do in New York is to decrease the production so that they would not have so much going into manufactured milk.

Mr. BARTLETT. I am thinking in terms not of the producer, but of the consumer. We have 13 million consumers in the New York market. Many of these consumers in Brooklyn and some of the other places get about $30 a week. They work for 75 cents an hour for a 40-hour week. They cannot buy milk at the prices exacted today.

Going back to the Chicago market, where we have been increasing since 1945, there are 2 or 3 reasons for why the Chicago market has been increasing its per capita sales.

One is they have gotten a shot in the arm, in 1949, with the half-gallon paper containers. So far as I know there are very few paper containers of half gallons in New York. That came into the market. All of the dealers had to get busy. They had to push sales. And the proportion of half-gallons now in the Chicago market is this, 37 percent of all milk goes out in half-gallons, either paper or glass. That is one of the tables.

Then the gallon jug came in along after the fifties. Thirty percent of all of the milk now goes in gallons.

That sells at a low price. At the present time in Chicago the gallon jug is 69 cents at the regular store. That is 17¼ cents a quart. The reduction in the class one price, the price to the consumers has been reduced particularly in gallon jugs. People like a bargain. They are getting milk at lower prices. And the per capita sales have increased as a result of it.

A third factor in Chicago, which I know they do not have nearly to the degree of New York, is the introduction of new commodities. We have a commodity called Vim. That is 2 percent skim milk which has an extra amount of solids not fat. That appeals to a large group of women who want to slenderize. They have a slenderizing program today.

The sales of these milk products per capita, which I have included in one of these tables, in 1940 were 0.008; in 1954 they are 0.040, 5½ times as much in 1954 as in 1940.

It is a combination of all of these things together that makes possible increases in per capita sales, and shifting milk from manufacture to home-milk sales.

Mr. ABERNETHY. Who fixes the regulation in New York which prohibits the sale in gallons?

Mr. BARTLETT. That is the New York law.

Mr. ABERNETHY. That is a State law?

Mr. BARTLETT. The Federal Government is not responsible for that. That is the State law. They had a bill in the legislature of New York to remove that. I do not know what happened to that. I have not heard that it has been repealed. I do not know whether Mr. Williams knows about that.

Mr. WILLIAMS. No.

Mr. ANDRESEN. I notice that most of your comparisons are made between milk marked order areas.

Mr. BARTLETT. That is right.

Mr. ANDRESEN. Of course, some areas are engaged to a large extent in producing milk for manufacturing purposes.

Mr. BARTLETT. That is right.

Mr. ANDRESEN. Since 1950 in the manufacturing areas like Minnesota where we lost a very substantial part of the market to a substitute, we have had this problem that if there could be more increase in the consumption of fluid milk throughout the country that would help solve it.

Mr. BARTLETT. That is right.

Mr. ANDRESEN. What have you to say on the problem confronting the manufacturing areas where they would like to ship their grade A milk into these other market order areas where there are compensatory payments and restrictions?

Mr. BARTLETT. That is a good question, Mr. Andresen. I am glad you raised it. I would like to refer at this time to a table that I have in the exhibits in the July 1953 hearings, in which I pointed out that same problem at that time.

This is on page 463 of the hearings of July 7, 1953.

(Table 2 of the hearing, dated July 7, 1953, is as follows:)

TABLE 2.—*Comparison of 40 percent cream prices in New York, Philadelphia and Boston, 1937–52*

Year	Prices (dollars per 40-quart can)			Actual differences New York from—		Percent differences New York over—	
	New York	Philadelphia	Boston	Philadelphia	Boston	Philadelphia	Boston
1937	18.18	16.59	15.99	+1.59	+2.19	9.6	13.7
1938	16.98	13.02	13.50	+3.96	+3.48	30.3	25.8
1939	17.18	12.87	12.92	+4.31	+4.26	33.5	33.0
1940	19.29	13.73	13.87	+5.56	+5.42	40.5	39.1
1941	22.21	17.47	17.37	+4.74	+4.84	27.1	27.9
1942	24.65	19.08	19.46	+5.57	+5.19	29.2	26.7
1943	28.29	23.96	23.55	+4.33	+4.74	18.1	20.1
1944	28.66	24.27	23.63	+4.39	+5.03	18.1	21.3
1945	28.78	24.89	24.75	+3.89	+4.03	15.6	16.3
1946	37.22	32.41	32.26	+4.81	+4.96	14.8	15.4
1947	38.50	32.87	32.28	+5.63	+6.22	17.1	19.3
1948	42.53	35.76	36.00	+6.77	+6.53	18.9	18.1
1949	33.97	26.53	27.36	+7.44	+6.61	28.0	24.2
1950	34.35	27.11	27.64	+7.24	+6.71	26.6	24.3
1951	38.12	31.83	32.47	+6.29	+5.65	19.1	17.4
1952	39.19	32.84	33.64	+6.35	+5.55	19.3	16.5
1937–42	19.75	15.46	15.52	+4.29	+4.23	27.7	27.3
1943–48	34.00	29.03	28.75	+4.97	+5.25	17.1	18.3
1937–52	29.26	24.07	24.17	+5.19	+5.09	21.6	21.1

Source: U. S. Department of Agriculture, Agricultural Statistics, 1947, 1949, 1951, and other releases of USDA.

Mr. BARTLETT. The class 2 price in New York is very closely related to this price reported by the United States Department of Agriculture. The essence of table 2 on page 463 is that the cream price for table cream in New York is considerably higher than for Boston and Philadelphia, both of which import cream from the Midwest.

The New York area has prevented Minnesota cream from going into New York because of inspection.

Just taking the period of 1937 to 1952, New York averaged $5.19 for a 40-quart can of 40 percent cream above Philadelphia; it averaged $5.09 above that of Boston.

There is a trade barrier which should not exist. We should have freedom of trade between all areas. And from the viewpoint of public interest milk or cream should come from the area where the cost of getting it produced plus transport cost is the lowest.

Boston has been importing cream regularly during this whole period of time. Frequently they raise the question of quality. I maintain that Boston has imported high-quality cream from the Midwest and is still continuing to do so. It is economic for the people in Boston to import that cream.

We should have free and open trade on cream in all markets.

Mr. ANDRESEN. That would help solve the butter problem if we could dispose of our cream in these large consuming markets of the country rather than putting it into butter.

Mr. BARTLETT. Every time that we increase the per capita sales of milk that is helping to solve your cream problem, too.

Mr. ANDRESEN. That is why this committee put in $75 million to increase the school-lunch program.

Mr. BARTLETT. That is right. That is a very good program. I was very happy that you put that in.

In that connection I might say that I am making a study of every school in Illinois under this program. The per capita consumption has increased 37 percent. We expect to have a corresponding increase during the next year.

Mr. ANDRESEN. I am interested in that statement. Does your investigation on the use of this additional milk apply to the Chicago area?

Mr. BARTLETT. That is right. It includes every school in Illinois.

Mr. ANDRESEN. And the increase, you say, has been 37 percent?

Mr. BARTLETT. For all of the schools in the State. That is taking the total enrollment as against the total amount of milk under both the school-lunch program and the new program. We put the two together. We are interested in the total consumption.

Mr. ANDRESEN. Do you think that in the long run will help solve our problem on surplus milk for manufacturing products?

Mr. BARTLETT. I do. That includes a lot of detail to make studies of 2,500 different schools. Basically, I think that is one of the soundest things that could be done to encourage the habit of drinking milk of the schoolchildren.

There are something like 34 million or 35 million youngsters in the country. If we get them accustomed to drinking milk, it will help. We have an educational program in the State of Illinois.

Mr. ANDRESEN. And only about 7 million of these 33 million or 34 million children are getting this milk.

Mr. BARTLETT. That is right. What we are doing on that, Mr. Andresen, is this. We do not expect to move mountains. We are working on a 5-year basis. We are trying to get 45 quarts annually per student in Illinois. At the present time we have 10 or 15 percent of the schools that have attained that.

I might just say as an aside, that we found that the top county, which is Putnam County, 1 of our 102 counties, averaged 86 quarts annually per student, which is mearly 1 quart of milk per day per student.

Mr. ANDRESEN. Do you know of obstructions or failure of constructive action on the part of the Federal Government that administers this program that might be removed?

Mr. BARTLETT. I have 2 or 3 suggestions on that, Mr. Andresen. We discussed that.

I have a State committee that is working with me, including the Illinois Agricultural Association, the Pure Milk Association of Chicago, and the Sanitary Milk Producers, et cetera.

We discussed that at our last meeting.

I would like personally—I do not know whether it agrees with political expediency or not—to see the school-lunch program and the new school-milk program integrated so that the type C of the school lunch and the new school-milk program would be together.

Mr. ANDRESEN. Would there not be a danger if such a program were integrated that there might be more sirloin steaks and less milk?

Mr. BARTLETT. I do not know.

Mr. ANDRESEN. I am just using that strictly as an illustration.

Mr. BARTLETT. Will you expound on that a little further so that I can see what you mean? I like sirloin steaks.

Mr. ANDRESEN. So do I—that is my favorite. We have had that advocated here, what you have suggested, but so far I have felt that there might be a danger, that they would go to other types of food rather than to continue using up this surplus milk.

Mr. BARTLETT. There is one other suggestion. I would limit it just as a suggestion. I would suggest that the maximum amount paid be 2 cents a half pint, rather than going up to 4 cents. I think 4 cents, at the rate of 16 cents a quart, is too high.

Going back to the program itself, one weakness of it, in my humble opinion, is the failure to tie it in with some of the research and extension people. We are trying to do that. I am speaking in 2 weeks before the dairy extension people in Chicago of the 12 North Central States.

I think we should have research on this in every State so as to find out what is the consumption, how it has increased, in what areas is it increasing.

Based upon the data that we have so far, we have found our that milk consumption is increasing in the areas where somebody is interested. We specifically farmed out several counties around Illinois to Mr. Keach and Mr. Melanich and we find those two counties are second and third place, in the State. The reason is because those people were interested. They went out selling milk to the schools.

I would like to see, myself, from the viewpoint of the greater use of the program, a provision such as you had last year for providing a small segment of the total funds for research to help to find out in every State what we are finding out in Illinois.

Mr. ABERNETHY. Do you have reference to the funds ——

Mr. BARTLETT. That 1 percent.

Mr. ABERNETHY. I am not speaking of that. Do you have reference to the funds in the agricultural appropriation act?

Mr. BARTLETT. Yes.

Mr. ABERNETHY. Or the funds which were provided by this committee in the dairy amendment last year?

Mr. BARTLETT. I am referring to the provision in the act of last year in which they said not to exceed 1 percent could be spent for research and finding ways of promotion.

Mr. ABERNETHY. That was in the appropriation bill, was it not?

Mr. HUMBERGER. That was in our act.

Mr. BARTLETT. I would like to see that encouraged.

Mr. ABERNETHY. Did they use it?

Mr. BARTLETT. Very little. The individual in the United States Department of Agriculture who was responsible for it did everything possible to prevent our using it. I might add that he is no longer with the United States Department of Agriculture.

Mrs. KNUTSON. I understand that Great Britain has been very successful in this very program you are talking about. I understand that they have increased the milk consumption from 12 to 13 percent above what we are doing.

If that is the case, maybe the school lunch program is the greatest salvation we can have, is it not? Better than advertising and milk dispensers and that sort of thing?

Mr. BARTLETT. I would agree with you that probably at this time the school milk program is the biggest single thing that could be done.

On the question of advertising I would like to make a comment on that. In regard to the data that I gave about Kansas City. The big increase in per capita sales were due to a lower price and advertising. A good advertising job was done there in July of 1953.

Let us take another market, Rochester, N. Y., where they had an increase in price. Their advertising was not worth anything. The American Dairy Association did that.

Mrs. KNUTSON. We must train our children to drink milk.

Mr. BARTLETT. The basic foundation for the dairy industry should be milk for health and milk in a balanced diet. That is what we are preaching day by day, rather than absorbing the surplus—I mean, the consumers generally do not give a hoot about the various surpluses of automobiles or wheat or anything else. They are interested in health.

Mrs. KNUTSON. That is right.

Mr. BARTLETT. And the present consumption is far below that recommended by nutritionists. And any policy, whether it is a Federal order policy or any other policy, or a State policy, which prohibits the sale, or which tends to stop the increase in consumption is against public interest.

Mr. LAIRD. I should like to ask one question. It has to do with the program in Wisconsin. Have you looked over the increases in Wisconsin?

Mr. BARTLETT. Yes.

Mr. LAIRD. Do you not think that came about because the State Department of Agriculture, the State Superintendent of Public Instruction, and all of the dairy groups were promoting the sale of milk to the schools?

Mr. BARTLETT. That is right.

Mr. LAIRD. Would you favor amending the present law to provide subsidies for all milk to schools, or only for increased consumption?

Mr. BARTLETT. That goes back to the statement I made a few minutes ago. I would include the new school milk program, as type C of the school lunch program, and I would subsidize right across the board at not more than 2 cents a half pint.

Mr. LAIRD. Not more than 2 cents a half pint?

Mr. BARTLETT. Yes. I might point out this fact. Fools rush in where angels fear to tread. Ladies who have been working on this milk program for a long time pointed out some of the errors of our ways, specifically in Bloomington, Ill. We had a group of rambunctious dairymen going out to increase the consumption of milk to the schools. They were arguing on the basis that it was going to help to absorb the surplus. The city officials got so mad at them that they kicked out all of the milk in schools because of wrong tactics.

In Wisconsin you have a little different situation.

Milk in Illinois is a very small part of the total farm income, maybe 12 percent or so. In Wisconsin it is a large percentage.

The psychology of all of your people is much more milk-minded than in McLean County where it is corn and hogs. That is why, after we had that particular experience, we were selling milk on the basis of health. I think one of the causes for the big increase in

Wisconsin has been because everybody got behind the program. We could not do that same thing in Illinois.

Personally I favor the 5-year program, get so much this year and so much next year. Then after this milk surplus has disappeared we are still going to have that increase. I am thinking of a 25-year program, not just a 2- or 3-year program. I think it is an excellent thing. I think you are to be commended for having started this school milk program and giving it a shot in the arm so that it will be with us long after our surpluses have disappeared.

Mr. HEIMBURGER. How is the milk served in the schools in Illinois—in these expensive half-pint cartons or in bulk?

Mr. BARTLETT. I would say probably the bulk of it still is in half-pint containers, although we are getting some of the bulk dispensers in the school lunch programs; specifically Rockford has several of those.

In Chicago, somebody was telling me a minute ago, they will not permit bulk dispensers and will not permit several other things. What we are working on in Chicago is increasing it from a half-pint bottle to a third of a quart. I think that program will go into effect.

Mr. HEIMBURGER. Would that not change itself, if you could get the milk served in bulk and in paper cups, I assume, out of the bulk cooler, mean a substantially larger proportion of the funds spent for milk and less of it for services, under the present system?

Mr. BARTLETT. I think we have to think in all of these terms, I mean in all of these things, that it is a question of the age of the student and the facilities. The third of a quart versus the half-pint I think is fine for high-school children. Maybe when you get down that line that might be too much.

I think in terms of bulk dispensers versus bottles that we should aim toward more and more bulk dispensers. While we are aiming at that, let us keep on increasing the use of half-pints.

Mr. HEIMBURGER. Let me take you back for just a question or two to the remark you made about the surplus of milk produced or delivered in the New York market, and by a "surplus" I mean that which I believe you said was 45 percent that is not used as fluid milk and you made the remark that you considered that to be a percentage——

Mr. BARTLETT. Unnecessary surplus.

Mr. HEIMBURGER. Unnecessary surplus, to the extent that you questioned the legality of the Federal market order participation.

Mr. BARTLETT. I do not know as I said it in terms of legal terms. I said I think it constitutes a legalized monopoly which is definitely against the public interest. Whether that is legal or not, I do not know. You know more about that than I do.

Mr. HEIMBURGER. I am not going to the question of the legal aspect of it. I want to get at some quantitative figures.

If the purpose of the marketing order is to provide an inadequate supply of fluid milk for an area—and I would be inclined to agree with you that that sounds like more than an inadequate supply that they have in New York—to that extent we would not say it is illegal—to that extent let us say it is not squarely in line with the purpose of the marketing order law—where would you set that percentage?

Mr. BARTLETT. That is a good question, Mr. Heimburger. I think probably we would get most closely in agreement on that when we

have had some studies which show that we need a total delivery of 20 percent in excess of the fluid needs.

Mr. HEIMBURGER. That is 20 percent average throughout the year?

Mr. BARTLETT. That would be average. If you would only take, say, October and November, your shortage months. Most of the months you would have to have above that. In your shortage months you need 20 percent excessive in order to supply the market.

In October and November 1954, New York had 45 percent excess. So my reasoning is that that 45 percent is too high.

Mr. HEIMBURGER. Do you not think that most of the milk market areas, with the modern transportation that we have these days, and the ability to bring in additional milk from outside sections when necessary—do you not think that even that 20 percent is a little too high?

Mr. BARTLETT. I think maybe you are right. In 1940–50 in Chicago they had only 9 percent excess production above the class I and class II needs. Most of the time they had enough milk.

If you include fluid milk and cream you can have a smaller percent. This 45 percent I am referring to is 45 percent above the class I and class II in New York.

Under the present statutes in New York it is illegal to bring western cream into the market. We might as well be clear that the Federal order is not responsible for that.

Mr. HEIMBURGER. I understand. Do you know how many Federal market order areas in the country today exceed this 20 percent surplus figure?

Mr. BARTLETT. A lot of them—quite a lot of them. There is a question of what we might term balance in this. If you got up to 25 or 30, I am not going to be very much bothered. I think probably we should have a definite limit beyond which price increases could be effected if the percent above got too high.

Mr. HEIMBURGER. I believe that Mr. Forest of the Department of Agriculture testified that during the short months the average surplus throughout the country in market order areas was in the neighborhood of 25 percent, and that during the flush period it was in the neighborhood of 47 percent. Would you consider that a little high from the standpoint of just the economics and the necessities of the case?

Mr. BARTLETT. I think when you get up to that higher percentage it is pretty high.

Table II of exhibit No. 2 shows the percent that deliveries were of sales in Chicago in these shortage months for each year 1940–54

You will notice in 1953, September and October and November, the highest, it was 23, 28, and 44 percent above class I and class II sales.

Then in 1954 it was 19, 22, and 26.

When we have a big surplus all over the country I will not be bothered if it goes above for a short time. When it gets to the higher brackets I think it is definitely a trade barrier concept that comes in. We should watch out for it.

Mr. HEIMBURGER. Thank you very much.

Mr. ABERNETHY. Time is running out. I have one thing that I want to ask you.

You made reference to the prohibitions of the distribution of milk in gallon containers. You have accurately stated that the average American is looking for a bargain.

To what extent are these regulations prohibiting the distribution of milk in gallon lots, that is, retarding consumption?

Mr. BARTLETT. That is a good question, Mr. Abernethy.

Mr. ABERNETHY. It is bound to be retarded some.

Mr. BARTLETT. We cannot just say, for instance New York versus Chicago, we cannot tell to what degree. I know this: When the gallon jug came on the market it was highly competitive in 1952 or 1953 and 1954 in Chicago. The competition was very, very keen in the market. They have it in home deliveries as well as in the stores. The bulk of the milk that goes out into the homes today is in gallon jugs—more than one-half of it.

The degree that it gave a shot in the arm to Chicago I cannot tell as compared with New York.

Mr. ABERNETHY. In how many sections of the country do you find these limitations on the marketing in gallon containers?

Mr. BARTLETT. In very many of them. We have several States. California prohibits the use of gallon jugs. They say that it is unsanitary.

Mr. ABERNETHY. Is it not fair to say that if you have that it is appreciably retarding the consumption of milk?

Mr. BARTLETT. That is right.

Mr. ABERNETHY. And it might be so great that its elimination could solve the surplus problem?

Mr. BARTLETT. That is right.

Mr. ABERNETHY. Does not it appear to be somewhat ridiculous?

Mr. BARTLETT. To me it is absurd, Mr. Abernethy. I was at another hearing when they raised this question.

In California they say it is unsanitary. We have 1,800,000 people in Chicago using it every day.

Mr. ABERNETHY. If the gallon container is less sanitary than a quart container, then is it not fair to say that a quart container would be even less sanitary than a pint container? [Laughter.]

Mr. BARTLETT. I do not know.

Mr. ABERNETHY. That argument would make just as much sense.

Mr. BARTLETT. It is just as absurd, just as much an absurdity in both of those instances.

Mr. ABERNETHY. Have any of these sanitary experts that you know of proposed that the marketing be limited to pints or half-pint containers?

Mr. BARTLETT. No, they have not reached that degree of absurdity. They may, based on what some of them think.

Mr. ABERNETHY. Or down to a spoonful?

Mr. WILLIAMS. I wanted to ask what is the difference in the price of delivered milk, for instance, between four paper containers and a gallon jug?

Mr. BARTLETT. In Chicago?

Mr. WILLIAMS. You are talking about New York.

Mr. BARTLETT. You have to be specific, Mr. Williams. We have 2-quart containers in New York. Competition has not brought it out.

Mr. WILLIAMS. Right here in Washington what is the difference between 1-quart containers and the gallon jug?

Mr. BARTLETT. You have just gotten the gallon containers here recently, I understand. I do not know what your present price is.

Take the quart bottle, the quart glass container and the quart paper container, there has been no difference in Washington for 10 or 15 years.

Mr. ABERNETHY. There is at this time.

Mr. BARTLETT. Historically, the quart has been the competitive factor in Washington. The gallon has come in. I do not know what the present price is. I just learned that yesterday.

Mr. ABERNETHY. Actually, the saving is in this, that it costs less to make the gallon container than it does to make four single containers. That is one element of saving.

Then actually there is less cost in making deliveries.

Mr. BARTLETT. Yes.

Mr. ABERNETHY. There would not be any appreciable reduction in the price paid to the farmer.

Mr. BARTLETT. No.

Mr. ABERNETHY. But it would move the milk in larger quantities.

Mr. BARTLETT. That is right.

Mr. ABERNETHY. And at cheaper prices.

Mr. BARTLETT. That is right.

Mr. ABERNETHY. To the consumer.

Mr. BARTLETT. That is right.

Mr. ABERNETHY. These regulations which limit the dispensation of milk to quart containers do not result, in your opinion, in anything but just a higher price to the consumer and surpluses for the farmer?

Mr. BARTLETT. I would say in answer to that question that the unwillingness to take the gallon jug and the half gallon is curbing the sale of milk, without question. Every market needs a shot in the arm of something new every so often.

Mr. ABERNETHY. Do you know what it is about the gallon container that is so unsanitary?

Mr. BARTLETT. According to the technologists it is no more unsanitary than a quart bottle, if properly handled.

Mr. ABERNETHY. That is the argument, you said?

Mr. BARTLETT. The argument is just another absurdity.

Mr. ABERNETHY. What do they contend?

Mr. BARTLETT. Going back to the State of California I have discussed this with one of the technologists there. All it is is something to prohibit a new competitive practice that the dealers do not want.

Mr. WILLIAMS. You admit that it is more difficult to wash a gallon jug with a little opening than a quart bottle which you can do mechanically.

Mr. BARTLETT. It is done on an automatic machine exactly the same as the quart bottle. The Chicago Board of Health tests the sanitation periodically. They find there is no trouble at all to keep it sanitary.

Mr. WILLIAMS. All boards of health do not agree on the same question, do they?

Mr. BARTLETT. You take authorities like Dr. Dahlberg, who spoke before you a few days ago, he agrees on this, and Dr. Tracy of the University of Illinois, and I could name half a dozen of the highest authorities in the country, who agree that properly handled the gallon jug is just as easy to keep sanitary as the quart bottles.

However, that is outside of my field. I am a mere agricultural economist.

Mr. ABERNETHY. Has there been any activity on the part of the delivery man to prohibit the delivery of milk in gallon lots?

Mr. BARTLETT. In some areas, yes. Frequently there is collusion between the dealers and the delivery men on that point.

Mr. ABERNETHY. What further factors have entered into these regulations against gallon containers, if you know of any?

Mr. BARTLETT. You mean other than sanitation?

Mr. ABERNETHY. And the colusion to which you have just referred.

Mr. BARTLETT. You add those together and you have enough. Of course, what we have is this, it is a very human thing. I would be on the same side myself if I were in that particular boat. All progress is predicated upon change. We discussed here a little earlier going from home delivery to stores, which means fewer deliveries. And the fewer drivers fight change, which will encourage more store sales or anything like that. So you have frequently a group of vested interests in the market that are fighting the change which is going to interrupt or disrupt their status quo. It is very human.

I have discussed this at various times. My own reasoning is that it would be much better for the Government to put these fellows on relief permanantly, pension them off and put in the improved practices rather than to put in regulations that make consumers pay for obsolescent, for things year after year.

Mr. ABERNETHY. Are there any further questions?

Mr. LAIRD. When we were discussing the school lunch program I noticed particularly in some of the southern sections of the country that the consumption had not increased materially.

Mr. BARTLETT. There is a wide variation in the acceptance of that.

Mr. LAIRD. I wonder if you had given any thought to the use of milk equivalent, such as ice cream and evaporated milk in the school lunch program?

Mr. BARTLETT. Of course, when you say evaporated milk it has a carmelized flavor, and the kids do not like it. They could use it in soups and things like that, but not for drinking.

I would center my attention on whole milk on this thing. I am thinking in terms of habit forming.

Mr. LAIRD. Do you see any reason why section 32 funds could not be used to purchase evaporated milk—would it not help the market some?

Mr. BARTLETT. You could do anything that you want so far as distribution of funds is concerned. The question would be to what use would you put the evaporated milk?

Mr. LAIRD. In the school lunch program—allow them to use it for soup and other cooking uses.

Mr. BARTLETT. I see no particular reason about that. We are thinking of two programs in essence. I would like to keep it clear. The school lunch and new school milk program—that is, whole milk—and the surpluses that are diversed.

Mr. LAIRD. You see you have three programs now that you can use for dairy products. You can use section 32 funds, you can use the transfer authority that the Secretary of Agriculture has in 1954 Agricultural Act, and then you have the new school milk program.

Mr. BARTLETT. That is right.

Mr. LAIRD. We are using the last two that I mentioned, but we are not using section 32 at the present time for dairy products. It seemed to me that we could be making more use of section 32 funds. There is no use in using it for cheese, butter, and powder because of the transfer authority that the Secretary has. I thought perhaps we might help out in making use of dairy products by using some of those section 32 funds.

Mr. BARTLETT. So far as surplus is concerned, to the degree that we have surpluses concerned, I do not think that the Government has bought evaporated milk to any great degree.

Mr. LAIRD. They have not bought any for the last 3 or 4 years. They did at one time.

Mr. BARTLETT. My own reason would be, let us not start the thing while it is declining. Evaporated industry has shaken down pretty well their surpluses. They are not producing much more than is being consumed. At this time I would keep going on cheese and butter and nonfat solids until we do not have any, rather than to add another one, unless there was some particular pressure that made it very desirable.

Mr. ABERNETHY. If you care to make any extension of the statement made here this morning we will be very happy to have you do so. We do appreciate your appearance and the very valuable information you have given us.

Mr. BARTLETT. I appreciate the courtesy of you people coming together for this.

Mr. ABERNETHY. We are delighted to have had you here.

Mr. LAIRD. It has indeed been a help to this committee.

Mr. ABERNETHY. The committee will stand in recess.

(Thereupon, at 12 m., the subcommittee adjourned.)

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Mr. BARRETT. That is right.

Mr. LAIRD. We are using the last two that I mentioned, but we are not using section 32 at the present time for dairy products. It seemed to me that we could be making more use of section 32 funds. There is no one is using it for cheese, butter, and powder because of the transfer authority that the Secretary has. I thought perhaps we might help out in making use of dairy products by using some of these section 32 funds.

Mr. BARRETT. So far as surplus is concerned, to the degree that we have surpluses concerned, I do not think that the Government has bought evaporated milk to any great degree.

Mr. LASKO. They have not bought any for the last 3 or 4 years. They did at one time.

Mr. BARRETT. My own reason would be, let us not start the thing while it is declining. Evaporated industry has taken down pretty well their surpluses. They are not producing much more than is being consumed. At this time I would keep going on cheese and butter and nonfat solids until we do not have any, rather than to add another one, unless there was some particular pressure that made it very desirable.

Mr. ANDRESEN. If you care to make any extension of the statement made here this morning we will be very happy to have you do so. We do appreciate your appearance and the very valuable information you have given us.

Mr. BARRETT. I appreciate the courtesy of you people coming together for this.

Mr. ANDRESEN. We are delighted to have had you here.

Mr. LAIRD. It has indeed been a help to this committee.

Mr. ANDRESEN. The committee will stand in recess.

(Thereupon, at 12 m., the subcommittee adjourned.)

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